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IN THE

Supreme Court of the United States

OCTOBER TERM, 1965

No. 6

SPACE AERO PRODUCTS CO., INC., *et al., Petitioners*

v.

R. E. DARLING CO., INC., *Respondent*

PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF MARYLAND

Petitioners, Space Aero Products Co., Inc., Joseph A. Jackson, Douglas J. Creger, Eugene E. Fasano, Gloria Rines Creger, Mary D. Quinter, William H. Wilkinson, William Brandenburg, and Norris Manufacturing Co. pray that a Writ of Certiorari issue to review the judgment of the Court of Appeals of Maryland in the above entitled case.

OPINIONS BELOW

The opinion of the Court of Appeals of Maryland is reported at 238 Md. 93, 208 A.2d 74 (1965), and is reprinted in the Appendix, p. 11a, *infra*. The per curiam opinion of that court on petitioners' motion for

reargument is reported at 238 Md. 129, 208 A.2d 699 (1965), and is reprinted in the Appendix, p. 45a, *infra*. The opinion of the Circuit Court for Montgomery County, Maryland, is not reported. It is reprinted in the Appendix, p. 49a, *infra*.

JURISDICTION

The judgment of the Court of Appeals of Maryland was entered on March 12, 1965. (Appendix, p. 44a, *infra*). A timely Motion for Reargument was denied on April 12, 1965. (Appendix, p. 44a, *infra*). The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1257(3), since petitioners claim that the decision of the Court of Appeals of Maryland conflicts with the federal scheme of patent regulation established by the Constitution and the federal patent laws, and has deprived them of their property and freedom without due process of law in contravention of the Fourteenth Amendment of the Constitution of the United States.

QUESTIONS PRESENTED

1. Whether, consistently with the federal scheme of patent regulation embodied in Article I, Section 8, Clause 8, of the Constitution and the federal patent laws, a state court, which found that petitioners had misappropriated respondent's secret process of manufacture, may invoke the state law of unfair competition and trade secrets as a basis for permanently enjoining petitioners from manufacturing and selling an unpatented and unpatentable product, regardless of the process of manufacture employed.

2. Whether, consistently with the guarantee of the Fourteenth Amendment that no State shall "deprive any person of life, liberty, or property, without due

process of law," the individual petitioners may be permanently enjoined from working in their chosen field of endeavor merely because they were found to have competed unfairly with respondent by manufacturing an unpatented and unpatentable product, using an unpatented and unpatentable process developed by respondent and found by the lower courts to constitute a trade secret.

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

This case involves Article I, Section 8, Clause 8; Article VI, Clause 2; and the Fourteenth Amendment, Section 1 of the Constitution; Sections 101, 102, 103, 112, 154, 173 and 283 of the Patent Code of 1952, 35 U.S.C. §§ 101-03, 112, 154, 173, 283; 28 U.S.C. §§ 1338, 1498; and 10 U.S.C. § 2304. These provisions are set forth in the Appendix, beginning at p. 1a, *infra*.

STATEMENT OF FACTS

The respondent, R. E. Darling, Co., Inc., is a manufacturer of oxygen breathing hose. (E. 452).[1] This hose is a highly specialized product used primarily for military and space projects, and until the formation of

[1] The record references are to the four-volume printed record extract prepared for the Court of Appeals of Maryland. Volume I (pp. E. 1-E. 696) contains the pleadings, orders and opinion of the circuit court, and portions of the testimony printed for the Court of Appeals; Volume II (pp. E. 697-E. 1278) contains additional portions of the testimony printed for the Court of Appeals; Volume III (pp. E. 1279-1908) contains additional portions of the testimony printed for the Court of Appeals; Volume IV (pp. E. 1909-E. 2050) contains the exhibits which were introduced in the circuit court. We have filed nine copies of this record extract with the Petition.

petitioner Space Aero, Darling was the Government's sole source of supply for much of it. (E. 474).

The individual petitioners, with the exception of Brandenburg, worked for Darling in various capacities and for various periods of time.[2] In December, 1960, these individuals became dissatisfied with their employment by Darling and left Darling's employ. They then formed Space Aero Products Co., Inc. for the purpose of manufacturing oxygen breathing hose assemblies and entered its employ. (E. 81, 113-14). This company was partially financed by petitioner Norris Manufacturing Co., which had for many years supplied silicone material to Darling for use in the manufacture of Darling's hoses, and by petitioner Brandenburg, the President of Norris and a research chemist thoroughly versed in the techniques of manufacturing pressure hose assemblies. (E. 97-100, 110).

In 1954 and 1955, the United States Navy and one of its prime contractors, Douglas Aircraft Co., were engaged in perfecting a seat pan assembly for use in a high-speed jet aircraft, the A4D. (E. 1547). One of the elements of this assembly is an oxygen air hose system used to supply oxygen to the pilot during flight

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[2] Jackson went to work for Darling in 1956, and during most of his tenure was an account specialist. (E. 93). Douglas Creger was first hired by Darling in 1954 as a hose assembler and later became foreman of one of the shops. (E. 392-93). Fasano was employed by respondent in 1957 as a production supervisor. (E. 451). Mrs. Douglas Creger was employed by Darling as a hose builder. (E. 304). Quinter came to work for Darling in 1957 as a bookkeeper. (E. 150). Wilkinson was employed intermittently by Darling as an engineering draftsman. (E. 127). None of these individuals had an employment contract which imposed upon him any obligation of secrecy regarding matters which might come to his attention during the course of his employment, and each could have been discharged by Darling at will.

and during descent in the event of emergency ejection. (E. 1243, 1251). In April, 1960, after the assembly had been perfected, the Navy issued Military Specification H-22489, which described the type of oxygen hose to be used in the assembly and indicated how the hose was to be qualified for acceptance by the Government. (E. 1910-1927). The issuance of such a specification is standard procedure as a prelude to formally advertised, competitive bid procurement by the Government.[3] On June 23, 1960, the Navy sent a copy of the specification to Darling and solicited samples. (E. 2011). Similar letters were sent to all hose manufacturers known to the Navy at that time. (E. 1573-74, 1612). Space Aero and Darling each submitted an oxygen breathing hose to the Navy for qualification under specification H-22489. (E. 1575-98). Both hoses were "qualified" by the Navy. Thereafter, as a result of advertised procurements in which it was low bidder, Space Aero entered into several prime contracts with the Navy, and also obtained certain prime subcontracts, to supply hoses complying with specification H-22489. (E. 164). It also subsequently entered into contracts to develop and supply umbilical hoses for use in the Apollo spacecraft, similar to the hose used by astronaut White during his recent "walk in space". These hoses are in many respects similar to the hoses called for by specification H-22489.

On February 27, 1961, Darling initiated this litigation, alleging that its former employees learned how to make oxygen breathing hoses while working for the respondent, that this knowledge was based largely upon

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[3] See 32 C.F.R. §§ 2.501 to 2.503 for a complete description of the "Qualified Products List" procurement procedures used in situations of the type here involved.

certain trade secrets developed by the respondent, that these secrets were used by petitioners to compete unfairly with respondent, and that petitioners Norris and Brandenburg conspired with respondent's former employees to encourage and effectuate a plan whereby Space Aero could compete unfairly with respondent. (E. 7). Darling prayed for conventional "trade secret" relief, including, among other things, a permanent injunction prohibiting petitioners from using any part of the trade secrets allegedly obtained from Darling; an accounting for such damages as Darling may have incurred as a result of the alleged wrongdoing; and an order requiring petitioners to deliver to the court for destruction documents and materials relating to, containing disclosures of, or produced with the benefit of respondent's trade secrets. (E. 15-16).

After a lengthy trial, most of which was conducted *in camera*, and at which the facts were strongly contested as to whether Darling's processes were in fact "trade secrets" and whether there was any improper appropriation of them, findings were made adverse to petitioners. The trial judge—while not describing even the broad perimeters of the alleged "trade secrets"—found that Space Aero's personnel had used those secrets in producing oxygen breathing hoses, and that petitioners Norris and Brandenburg had illegally participated in this use by assisting respondent's former employees to establish a competing enterprise. (E. 34).

Thereupon, the circuit court proceeded to issue an order containing an injunction much broader than was even prayed for in the complaint. In the fashion of a decree appropriate in a patent infringement suit, the order permanently enjoins petitioners, "their agents, servants, employees, successors and assigns" from

"further manufacture and/or sale of high or low pressure hose assemblies" which are "of like or similar construction to hose assemblies manufactured to the requirements of United States Military Specification Mil H-22489," regardless of the process used in such manufacture. (E. 67). It also directs petitioners to deliver to the court for destruction all documents, drawings, manuals and other material in their possession which describe the equipment, components, methods or techniques used in the manufacture of hose assemblies manufactured to the requirements of specification H-22489, regardless of the process used in such manufacture. (E. 68). Finally, the court retained jurisdiction to determine the respondent's rights to an accounting and damages. (E. 68).

The Court of Appeals of Maryland affirmed, but ordered that the injunction be modified in certain respects not pertinent here.[4] The court rejected petitioners' argument that the injunction should merely prohibit use of Darling's secret process, and not the manufacture of the end product itself, saying that "Darling's trade secret consists too largely of the ordered relationship and combination of various steps and devices, some in themselves quite simple in nature, to make a prohibition of specific steps or processes

[4] The court ordered that the injunction be modified (1) to permit termination of its prohibitions if and when the "methods and processes" used by Darling in the manufacture of hoses become generally known to the public (Appendix, p. 38a, *infra*); (2) to exclude from its coverage one of the components listed in specification H-22489 (Appendix, p. 39a, *infra*); and (3) to permit completion of three specific contracts between Space Aero and the Government and of certain other subcontracts between Space Aero and prime Navy contractors, if it can be shown that completion of such subcontracts is in the interest of national defense (Appendix, p. 42a, *infra*).

practical". (Appendix, p. 39a, *infra*).[5] A motion for reargument was denied by the Court of Appeals.[6]

The Court of Appeals remanded the case to the trial court for modification of the injunction and for subsequent proceedings to determine the damages, if any, sustained by Darling. On remand, the trial judge entered the modifications ordered by the Court of Appeals, and granted petitioners permission to complete certain specified Government contracts and prime subcontracts. (Appendix, p. 66a, *infra*).[7]

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[5] As pointed out, the injunction did not apply merely to the "secret process," no matter how "simple in nature" most of its components were; but, rather, to the manufacture and sale of the end product itself, regardless of the process used.

[6] In its opinion accompanying the denial of petitioners' motion for reargument, the Court of Appeals directed the trial judge to insert the following additional modifications in the injunction: (1) a provision permitting petitioners to complete any contracts or subcontracts entered into *pendente lite* providing the Government can demonstrate that such completion is necessary in the national interest (Appendix, p. 47a, *infra*); and (2) a provision indicating that employees of petitioners (but *not* the individual petitioners themselves) "are not to be prohibited from using their skills and from working for any other company in the manufacture or sale of pressure hose assemblies, if such hose assemblies have a construction different from that used by Darling and if such manufacture or sale does not use Darling's trade secret methods and process" (Appendix, p. 48a, *infra*).

[7] Petitioners recognize that the trial court has retained jurisdiction and that further state court proceedings to determine possible damages are contemplated. However, they assert that the decision of the Court of Appeals is sufficiently final as to the federal questions involved to permit review by this Court under 28 U.S.C. § 1257(3).

The federal question raised by this Petition concerning the lower court's unconstitutional encroachment upon the federal patent system, pp. 12-22, *infra*, cannot be affected by any prospective state court proceedings, since that portion of the injunction

The Raising and Disposition Below of the Federal Questions.—In their brief in the Court of Appeals, petitioners cited this Court's decisions in *Sears Roebuck & Co.* v. *Stiffel,* 376 U.S. 225 (1964), and

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which gives rise to the federal question has been affirmed by the Court of Appeals and is in no way touched by the modifications which have been decreed. Neither can it be affected by the proceedings to determine damages.

In addition, petitioners' Fourteenth Amendment claim will be unaffected by further state court proceedings and calls for prompt review. The essence of that claim, as will be shown below, pp. 23-26, *infra,* is that the injunction is so unreasonably broad as to deprive petitioners of liberty and property without due process of law. This claim rests not only on the fact that the injunction prohibits them from manufacturing oxygen breathing hoses by *any* process, even one totally dissimilar from respondent's, but also on the fact that the injunction requires petitioners, immediately upon completion of pending Government contracts, to deliver to the circuit court *for destruction* documents and materials completely unrelated to respondent's process of manufacture. It is apparent, therefore, that if petitioners must abstain from their chosen field of employment and submit valuable documents and materials for destruction while awaiting the termination of ancillary and non-depositive issues in the state courts, and before obtaining review of their separate and distinct federal claims in this Court, they are likely to be irreparably injured. Only recently, the Court recognized that in situations such as this, unless a prompt review of the federal claims is permitted, the injunction "may effectively dispose of petitioner's rights and render entirely illusory his right to review here." *Local 438, Constr. & General Laborers' Union* v. *Curry,* 371 U.S. 542, 550 (1963). Moreover, the Court has consistently held that a judgment requiring an "immediate delivery of physical property," as the injunction in this case does, "is reviewable and is to be deemed disassociated from a provision for an accounting even though that is decreed in the same order." *Radio Station WOW, Inc.* v. *Johnson,* 326 U.S. 120, 126 (1945); *Carondelet Canal & Nav. Co.* v. *Louisiana,* 233 U.S. 362 (1914); *Forgay* v. *Conrad,* 6 How. 201 (1848).

In short, petitioners' federal claims cannot be affected by any further state court proceedings now contemplated, and are therefore ripe for review.

Compco Corp. v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), and suggested that the breadth of the injunction constituted an improper extension of the patent monopoly to an unpatented product. (Brief of Appellants, p. 48).

They also argued that the trial court's findings did not justify an injunction so broad as to exclude them permanently from manufacturing hoses by processes totally different from that embodied in respondent's alleged trade secrets.[8] Though not agreeing with petitioners' argument, the Court of Appeals did recognize the distinction between "the use of an injunction to protect proper lawful interests and its use as a penalty" (Appendix, pp. 36a-37a, *infra*), and did rely on that distinction in suggesting that the injunction might be lifted if and when the respondent's trade secrets "become generally known to the public." (Appendix, p. 38a, *infra*).

Fearing that their federal claims had not been specifically considered and passed upon by the Court of Appeals, petitioners, in their motion for reargument, contended that:

> "The exclusion of Appellants and all of their employees from the manufacture of any oxygen breathing hoses is an unlawful restraint upon their freedom to pursue a lawful occupation as guaranteed by the Fifth and Fourteenth Amendments to the Constitution of the United States of America, and is in conflict with the Federal Patent laws and violates Article I, Sec. 8, cl. 2

[8] Petitioners' complaint at this stage was not specifically couched in language alleging a violation of their Constitutional rights. However, they did assert that the trial court's order was basically unfair because it would "permanently exclude all appellants from the oxygen breathing hose business." (Brief of Appellants, p. 57).

and Article VI of the Constitution of the United States of America." (Appellants' Motion for Modification of Opinion and for Reargument, p. 6).

In its opinion accompanying the denial of petitioners' motion, the Court of Appeals makes it clear that it had originally considered and rejected petitioners' federal claims, saying that the "contentions raised in appellants' motion have been considered by us in reaching the determinations set forth in the opinion and in respect thereto we adhere to the conclusions which we have set forth." (Appendix, p. 48a, *infra*).[9]

However, even assuming that petitioners' federal claims were first properly raised in the motion for reargument, that fact is not a bar to this Court's jurisdiction if it appears that the highest State court "entertained the petition, considered and overruled the contention that petitioners' rights under the Amendment were infringed, declared that its decision was to be interpreted as holding against the contention, and therefore refused a reargument." *Grannis* v. *Ordean*, 234 U.S. 385, 392 (1914). That is at least what the Court of Appeals did in this case. See also *Northwestern Bell Telephone Co.* v. *Railway Comm'n*, 297 U.S. 471 (1936); *Herndon* v. *Georgia*, 295 U.S. 441 (1935); *Sully* v. *American Nat'l Bank*, 178 U.S. 289 (1900).

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[9] Respondent, in its reply to petitioners' motion for reargument, asserted that the federal claims had not been properly raised in accordance with state rules of procedure and were therefore waived. (Appellee's Reply to Appellants' Motion for Modification of Opinion and for Reargument, pp. 6-7). In its opinion, the Court of Appeals ignored this argument, and, as indicated, passed on the merits of petitioners' contentions.

REASONS FOR GRANTING THE WRIT

I.

By Prohibiting Petitioners From Manufacturing or Selling Hose Assemblies Meeting the Government's Specifications, Without Regard to Use of the Process Found to be a Trade Secret, the Relief Ordered by the Maryland Courts Encroaches Upon the Federal Patent System.

By granting the respondent an exclusive right of manufacture and sale of the end item called for by the Government's specification H-22489, the Maryland state courts entrenched upon the area reserved exclusively to the federal patent laws. Only last year, this Court exercised its certiorari jurisdiction to consider important questions presented by two cases involving state encroachments upon the federal patent system through the use of state unfair competition laws. *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).[10]

Although we believe that the courts below erroneously concluded that the process of manufacture here in question constituted a trade secret, we recognize that such an error cannot be corrected by this Court. However, the state courts committed an even more serious error, and one which does warrant this Court's attention, in issuing an injunction which conflicts with this Court's decisions in the *Stiffel* and *Compco* cases

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[10] In the *Stiffel* case, the Court held that it was an unconstitutional encroachment upon the federal patent laws for a state court, relying upon the state law forbidding unfair competition, to enjoin Sears from copying and selling Stiffel's unpatentable "pole lamp," or to award Stiffel damages for such copying and selling. Similarly, in the *Compco* case, the Court held that the Constitution and the federal patent laws forbid a state court both from enjoining Compco's manufacture and sale of fluorscent lighting fixtures containing a particular type of reflector on which Day-Brite held an invalid design patent, and from awarding Compco an accounting for damages based upon Day-Brite's actions.

and with the federal scheme for defining the scope of exclusive rights of manufacture, and of permissible competition in manufacture, established by the federal patent laws and the Constitution. We belive that this conflict merits the Court's review, not only because of the gross incursion upon the federal patent system here involved, but also because the lower court's decision places an unreasonable and unwarranted impediment upon the Government's procurement program for materials essential to the national security.

1. As indicated, the state courts did not issue what would be considered the customary relief in a case of this type, namely, an injunction prohibiting petitioners from making further use of respondent's process of manufacture which was found to be a trade secret. Instead, they issued an extraordinary and virtually unprecedented order[11] prohibiting petitioners from manufacturing or selling most oxygen breathing hose assemblies currently needed by the Government, regardless of the process of manufacture employed. Thus, even if petitioners were able to produce these hoses by a process totally dissimilar from that encompassed in respondent's alleged trade secret—as they

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[11] With *Franke* v. *Wiltschek*, 209 F.2d 493 (2d Cir. 1953), and *Head Ski Co.* v. *Kam Ski Co.*, 158 F. Supp. 919 (D. Md. 1958), this case stands alone for the proposition that the misuse of a trade secret relating to a process of manufacture justifies an injunction which not only prohibits further misuse of the trade secret, but also prohibits the manufacture, by any method, and the sale of the unpatented end product itself. However, it should be noted that the specific federal question here presented concerning an unconstitutional encroachment upon the federal patent system was not considered in either of the above-cited cases, though Judge Frank's dissenting opinion in *Franke* v. *Wiltschek, supra,* at 500, persuasively analyzes other reasons for precluding the type of relief granted by the court below in trade secret cases.

now in fact can do—the injunction prohibits them from making the benefits of this new process available to the Government or any other prospective purchaser. As we will show, this board proscription amounts to an impermissible encroachment by the state courts upon the sensitive and closely circumscribed federal patent system, "in which uniform federal standards are carefully used to promote invention while at the same time preserving free competition." *Sears, Roebuck & Co.* v. *Stiffel Co., supra,* at 230-31.

The very essence of the federal patent system is that the promotion of those inventions or discoveries which demonstrate "inventive genius," *Jungersen* v. *Ostby & Barton Co.*, 335 U.S. 560, 566 (1949), should be encouraged by the granting of a patent monopoly for a specified term. 35 U.S.C. §§ 101-03, 154, 173. The patent monopoly is a precise one: that the patentee or his assigns has, for the term of the patent, "the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof." 35 U.S.C. § 154. In similar fashion, as a matter of federal law, this "right to exclude others from making, using or selling" an article does not extend to products which do not contain an "invention" or "discovery," as those terms are used in the patent laws and construed by the decisions of this Court. Such unpatentable or unpatented items—like the hose assembly called for by specification H-22489—as a matter of federal law, are "in the public domain and may be made and sold by whoever chooses to do so." *Sears, Roebuck & Co.* v. *Stiffel Co., supra,* at 231.

The question of what developments in manufacture include a patentable "invention" or "discovery" is a matter purely of federal law. Before there is any question of the grant of the monopoly "to exclude

others from making, using, or selling" a device, the procedures specified in the Patent Code for the issuance of a patent must be followed and a patent obtained. Then, the question of the validity of the patent—including the question whether in fact it embraces an "invention" or "discovery"—is open to litigation in the federal courts. See *Great Atl. & Pac. Tea Co.* v. *Super-Market Equip. Corp.*, 340 U.S. 147 (1950). Repeated decisions of this Court teach that the patent monopoly "to exclude others from making, using, or selling" devices, as a matter of federal law, may not be extended to devices which do not embrace an "invention" or "discovery." *Great Atl. & Pac. Tea Co.* v. *Supermarket Equip. Corp., supra; Jungersen* v. *Ostby & Barton Co., supra.* The exclusivity of the federal interest in determining which devices are entitled to the patent monopoly of excluding "others from making, using, or selling" them, and which devices are to be free to be made, used, or sold by anyone is underscored by the fact that Congress has followed the unusual course of expressly excluding the courts of the states from any concurrent jurisdiction in patent matters. 28 U.S.C. § 1338.

To be sure, apart from the rules of the federal patent system, there is an area of the law of unfair competition and trade secrets in which the states may take a hand. Based on common law principles of contract and of fiduciary duty, the law of unfair competition and trade secrets has properly imposed certain narrowly defined restrictions on the public's otherwise unlimited right to manufacture and to sell an unpatented item. Thus, the law imposes liability upon a person who uses trade secrets obtained through a confidential relationship with another to copy the other person's unpatented articles. *E. I. Du Pont de Nemours Powder Co.* v. *Masland*, 244 U.S. 100 (1917). See also Turner, *The Law of*

Trade Secrets (1962); Note, *Protection and Use of Trade Secrets,* 64 Harv. L. Rev. 976 (1951).

A typical form of relief in such a case is an injunction directed specifically against the use of the misapporpriated trade secret. See Turner, *op. cit. supra,* at 427-58. Cf. *William R. Warner & Co.* v. *Eli Lilly Co.*, 265 U.S. 526 (1924). But, as this Court took pains to point out only last year, the state law of unfair competition cannot be used to frustrate the federal policy as to which items shall enjoy the monopoly of manufacture, use, and sale provided for by the federal patent system, and which shall not. Nor can it, consistently with the Constitution and the antitrust laws, be used to expand the narrowly circumscribed patent monopoly which Congress has established as an exception to the antitrust laws. *Sears, Roebuck & Co.* v. *Stiffel Co., supra,* at 230-33; *Compco Corp.* v. *Day-Brite Lighting, Inc., supra,* at 238.

Petitioners contend that the court below failed to recognize the basic differences in scope and objective between the patent laws and the laws of unfair competition, and accordingly sustained a trial court injunction which would be proper in a patent infringement case, 35 U.S.C. § 283,[12] but not in a case based upon the

[12] The relief sanctioned below is quite similar to the type that would have been embraced in an injunction granted under the patent laws. The parallels are arresting. The state court, in effect, undertook to use the Government procurement specification as the description of the extent of the respondent's monopoly, just as a patent granted in accordance with the patent laws "refer[s] to the specification [of the letters patent] for the particulars" of the monopoly. 35 U.S.C. § 154. In fact, the trial court undertook not only to enjoin the defendants named in the suit from the "making, using, or selling" of the device covered by the Government's specification, but to enjoin all the employees of petitioner Space Aero as well. However, as already indicated, *supra,* p. 8, n. 6, the Court of Appeals subsequently modified the injunction against the

misappropriation of alleged trade secrets. Thus, the state courts here, in effect, extended the patent monopoly to an unpatented and unpatentable device, and, in so doing, have restrained the free and open competition which the antitrust laws require, and which Congress and this Court have said may be restricted for 14 or 17 years only if a person has made an invention or discovery demonstrating sufficient "inventive genius" to warrant the issuance of a patent.

If the court below had merely prohibited petitioners from using respondent's allegedly secret process in manufacturing hose assemblies, that relief would have been consistent with the trial court's finding that petitioners had violated their confidential relationships with respondent, and would have protected society's interest in the preservation of good faith dealings in the business community.[13] However, by extending the prohibition from a specific process of manufacture to the end product itself, the court completely ignored society's equally strong interest in permitting the pub-

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employees by limiting it to a prohibition against their misappropriation of Darling's secret process.

[13] One commentator has suggested that the *Stiffel* and *Compco* cases cast doubt upon the validity of an injunction directed only against further misappropriation of a trade secret, since there is even some "similarity of remedy" between such an injunction and the relief that would be decreed in a patent infringement case. Note, *The Supreme Court, 1963 Term*, 78 Harv. L. Rev. 143 311-12 (1964). This conclusion is not unreasonable, since in many situations, unlike the one presented by this case, a secret process may encompass the only available method of manufacture, and an injunction prohibiting the use of the secret process is therefore tantamount to a proscription against competitive manufacture of the unpatented end product itself. It may well be that any injunction, the effect of which is to prohibit the manufacture of an unpatented article, is inconsistent with the federal patent and antitrust laws, and that damages should be the sole relief available to the owner of a trade secret for any injury resulting from the tortious misappropriation of that secret.

lic at large to manufacture and sell unpatented articles, and bestowed upon the respondent, vis-a-vis petitioners, at least the equivalent of a patent monopoly on its unpatented and unpatentable hose assemblies.[14]

Moreover, the exclusive right of manufacture granted to respondent by the state courts here was granted without receipt of the consideration that the federal patent laws demand of a patentee. For a patent must publicly disclose and teach the process which it covers, so that a person of ordinary skill in the art might practice it on the basis of the information contained in the patent papers. 35 U.S.C. § 112; *United Carbon Co.* v. *Binney & Smith Co.*, 317 U.S. 228 (1942); *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 305 U.S. 47 (1938). Thus the public is free to use the teaching of the patent as a point of departure into other fields of discovery, and, of course, is instructed in the practice of the patent itself, without cost, at the expiration of the statutory period. But in exchange for the exclusive rights vested in respondent here, the public has received no such information. Respondent's so-called "secret process" remains clad in obscurity.

This Court has long recognized that relief of the nature sanctioned below is totally inappropriate as a remedy for acts of unfair competition. In a landmark case in the field, the Court indicated that "the right to which respondent is entitled is that of being protected against unfair competition, not of having the aid of a

[14] The patent laws at least place a 14 or 17 year limitation upon the duration of the monopoly conferred thereunder. The monopoly given to the respondent by the injunction in this case may be perpetual, however, since it can be terminated only when respondent's trade secret is disclosed to the public generally—an event which need never occur.

decree to create or support, or assist in creating or supporting, a monopoly of the sale of a preparation which everyone, including petitioner, is free to make and vend." *William R. Warner & Co.* v. *Eli Lilly Co., supra,* at 532.

Hence, the state courts here, under the guise of the state law regulating unfair competition and trade secrets, have given "protection of a kind that clashes with the objectives of the federal patent laws." *Sears, Roebuck & Co.* v. *Stiffel Co., supra,* at 231.[15] State law has been used to sanction the monopolization of the manufacture of an item whose manufacture federal law has ordained shall be left free. We suggest that this is exactly the type of situation which the Court foresaw and condemned last year, when it said:

> "To allow a State by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public. The result would be that while federal law grants only 14 or 17 years' protection to genuine inventions, see 35 U.S.C. §§ 154, 173, States could allow perpetual protection to articles too lacking in novelty to merit any patent at all under federal constitutional standards. This would be too great an encroachment on the federal patent system to be tolerated." *Sears, Roebuck & Co.* v. *Stiffel Co., supra,* at 231-32.

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[15] The absence of any possible necessity for the broad relief granted, and for the resultant clash with the federal patent laws, is demonstrated by the fact that the court below deemed it both appropriate and practical to permit petitioners' employees to engage in the manufacture of hose assemblies as long as they abstain from misappropriating Darling's secret process in so doing. It is difficult to appreciate why the court considered it necessary to issue a broader proscription against petitioners.

2. An additional element which makes this case an even more aggravated encroachment upon the federal patent system than the encroachments presented by the *Stiffel* and *Compco* cases, is the fact that the injunction issued against petitioners constitutes a substantial impediment to the Federal Government's right to procure materials essential to the national security. As has already been indicated, the military and space agencies are the major users of the hose assemblies here involved. The lower court's injunction now permanently eliminates one of the Government's major hose assembly suppliers, and thereby not only makes the task of procurement more difficult, but also reduces the probability that the Government will be able to purchase these assemblies at the lowest competitive price, through the Congressionally ordained system of advertised procurement. See 10 U.S.C. § 2304; *Paul* v. *United States,* 371 U.S. 245 (1963).[16]

In this respect, it should be noted that the lower court's decision constitutes still another severe tampering with the delicately balanced mechanism of the federal patent system, in that it frustrates the obvious purpose of Section 1498 of the Judicial Code, 28 U.S.C. § 1498. That statute provides that a patent

[16] The importance of petitioner Space Aero as a source of supply for the Government is attested to by the affidavits submitted by various officials in connection with the Government's appearance below as amicus curiae. One affidavit from a Navy official described petitioners' hoses as "essential for pilot safety in operation of the Navy's first line fighter attack aircraft." (Affidavit of Rear Admiral E. R. Eastwold, Deputy Chief, Bureau of Naval Weapons, pp. 4-5). In addition, a NASA official described Space Aero as a key supplier of the Apollo project umbilical hoses, which he characterized as "an essential part of the equipment required for Appollo Extravehicular Mobility Units." (Affidavit of George A. Lemke, Acting Program Director of the Apollo Program, p. 2).

holder's exclusive remedy for infringement by a Government contractor is an action for damages against the United States in the Court of Claims. *Richmond Screw Anchor Co.* v. *United States*, 275 U.S. 331 (1928). The clear intent of Congress in adopting this law in 1918 was "to relieve the contractor entirely from liability of every kind for the infringement of patents in manufacturing anything for the Government and . . . to stimulate contractors to furnish what was needed for the War, without fear of becoming liable themselves for infringements to inventors or the owners or assignees of patents." *Richmond Screw Anchor Co.* v. *United States, supra,* at 343, 345.[17]

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[17] The statements on the floor of the House of Representatives of Congressman Padgett, Chairman of the House Committee of Naval Affairs, were quite illuminating on the Congressional intent underlying the passage of 28 U.S.C. § 1498. He said:

> "This is an amendment of the patent law, and generally speaking, it would not be appropriate on the naval appropriation bill. It makes only a slight change in the existing law, but the urgency and necessity of it was such that the Senate deemed it proper to place it on the bill. It is strongly recommended in a letter from the Acting Secretary of the Navy, Mr. Roosevelt.
>
> The existing law provides that when the Government wrongfully uses a patent the remedy of the patentee shall be to sue the Government. The conditions now are such that it becomes necessary for the Government to have contracts with various private manufacturers and for them to use these patents where dispute may arise over the use of the patent. Now, if the Government itself is manufacturing, they cannot enjoin the Government, but under existing law must sue in the Court of Claims for the recovery of their rights under the use of the patent. If a man makes a contract with the Government to perform the work, the patentee can enjoin the private contractor and the private manufacturer from doing the Government work. Now, the only change that is made is to provide that the private contractor who is doing the Government work under contract with the Government shall be placed

Thus, if respondent could have patented its hose assemblies and had done so, and if petitioners had infringed the patent, the respondent could not have sued petitioners for infringement, and could not have obtained an injunction against their further production of hose assemblies for the Government. Respondent would have been limited to a suit against the Government for damages in the form of a reasonable royalty, and the Government would still have had the benefit of an alternative source of supply.

But here the Government is, paradoxically, excluded from contracting with petitioners, even though no patent is involved, through the application of the extraordinary monopoly granted to respondent under color of state law. We submit that this disruption of the relationships between the federal system for the protection of inventions and the system of Government procurement, sanctioned by the court below, is a further reason for the grant of certiorari.

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on the same basis and shall bring suit against the Government of the United States to recover certain compensation from the use of their patent, or such damage for the use of the patent, as they could recover if the Government of the United States was doing the work itself. *Thereby it would prevent the injunction process from the courts being used to prevent private manufacturers doing Government work.* That is the whole change made in the law and the conditions are such as to require that it should be done." 56 Cong. Rec. 7960-61 (1918) (Emphasis added).

See also *Wood* v. *Atlantic Gulf & Pac. Co.*, 296 Fed. 718 (S.D. Ala. 1924), for a comprehensive analysis of the Congressional history of the Act.

II.

By Practically Excluding Them From Their Chosen Calling, the Manufacture of Oxygen Breathing Hose Assemblies, the Decision of the Court Below Deprives the Individual Petitioners of Their Liberty and Property Without Due Process of Law in Violation of the Fourteenth Amendment.

As has been indicated, the individual petitioners have for many years earned their livelihood in a technical and specialized industry. Their chosen field of endeavor is the manufacture of oxygen breathing hose assemblies, a commodity which is used primarily by the Government for highly sophisticated aeronautical systems, such as that in relation to which specification H-22489 was issued. By enjoining the petitioners from manufacturing or selling hose assemblies "of like or similar construction to hose assemblies manufactured to the requirements of United States Military Specification Mil H-22489," and by requiring them to deliver to the trial court for destruction documents and materials unrelated to respondent's process of manufacture, the court below has unreasonably deprived the individual petitioners of the right to engage in their chosen occupation. Thus, for example, petitioner Brandenburg, who has been in the rubber and silicone hose business since 1947, and who, as both the circuit court and the Court of Appeals recognized, had the know-how to build oxygen breathing hoses independently of any knowledge acquired from Darling (Appendix, pp. 23a, 31a, 39a, *infra*), is now enjoined from engaging in the manufacture or sale of most such hoses currently in demand.

This court has long recognized that "the right to hold specific private employment and to follow a chosen profession free from unreasonable governmental interference comes within the 'liberty' and 'property'

concepts of the Fifth Amendment." *Greene* v. *McElroy*, 360 U.S. 474, 492 (1959). See also *Schware* v. *Board of Bar Examiners*, 353 U.S. 232 (1957); *Wieman* v. *Updegraff*, 344 U.S. 183 (1952); *Dent* v. *West Virginia*, 129 U.S. 114 (1889).

The injunction issued by the court below can hardly be deemed a reasonable or necessary interference with petitioners' right to engage in their chosen occupation. It purports to restrict them from making oxygen breathing hose assemblies meeting the Government's specification, or hoses "like or similar" thereto, regardless of the method of manufacture. Thus, it bears no relation to the relief requested by respondent; it bears no relation to the relief which would be necessary and appropriate to protect respondent from the alleged misuse of its trade secret; and it obviously reflects no concern for petitioners' constitutional rights. In short, the injunction issued in this case is punitive rather than remedial.

It is well-known that "an injunction is not a remedy which issues as of course" *Harrisonville* v. *W. S. Dickey Clay Mfg. Co.*, 289 U.S. 334, 337-38 (1933); that when it does issue, it is "designed to deter, not to punish," *Hecht Co.* v. *Bowles*, 321 U.S. 321, 329 (1944); and, therefore, that a court of equity "will shape the remedy so as to do as little injury to the defendant as is necessary in order to insure adequate protection to the plaintiff," *Artype, Inc.* v. *Zappulla*, 228 F.2d 695, 698 (2d Cir. 1956) (per L. Hand, J.). See also *Smith* v. *Dravo Corp.*, 203 F.2d 369, 378 (7th Cir. 1953); Turner, *The Law of Trade Secrets* (1962), p. 454.

There can be little doubt that the court below ignored these long-established principles. The only justifica-

tion offered by the court for the unreasonable breadth of the injunction is that Darling's secret process consists "too largely of the ordered relationship and combination of various steps and devices, some in themselves quite simple in nature, to make a prohibition of specific steps or processes practical." (Appendix, p. 39a, *infra*). Yet, in its opinion denying the motion for reargument, the Court of Appeals ordered the injunction modified to permit petitioners' employees (but *not* petitioners themselves) to use their skills in manufacturing oxygen breathing hose assemblies as long as those "hose assemblies have a construction different from that used by Darling and if such manufacture . . . does not use Darling's trade secret methods and processes."[18] (Appendix, p. 48a, *infra*). Surely, if Darling's trade secret is sufficiently specific to permit a narrow prohibition against its use by petitioners' employees, it is sufficiently specific to permit an equally narrow injunction against petitioners.

The punitive nature of the injunction—which went beyond even the prayers of respondent's complaint—is thus made manifest. The restraint placed upon the individual petitioners' freedom to engage in their chosen occupation accordingly transcends any "rational connection," *Schware* v. *Board of Examiners, supra,* at 239, to the legally protectible rights of respondent. We submit that, as applied to the individual peti-

[18] Petitioners' employees had been covered by a sweeping clause in the injunction issued by the trial court making its prohibitions applicable to the petitioners, "their agents, servants, employees, successors and assigns, and all persons, firms, or corporations holding by, under, or through them, and any and all persons acting in aid of or in conjunction with them." (Appendix, p. 64a, *infra*).

tioners, the injunction, in view of its impact upon their livelihoods, is inconsistent with the guarantees of the Fourteenth Amendment.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX A

Constitutional and Statutory Provisions

1. Article I, Section 8, Clause 8, of the Constitution provides:

> The Congress shall have Power . . .
>
> * * * * *
>
> To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries. . . .

2. Article VI, Clause 2 of the Constitution provides:

> This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

3. The Fourteenth Amendment, Section 1 to the Constitution provides:

> All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

4. Sections 101, 102, 103, 154, 173, and 283 of the Patent Code of 1952 provide (35 U.S.C. §§ 101-03, 154, 173, 283):

> **§ 101. Inventions patentable**
>
> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of

matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

§ 102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduc-

tion to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

§ 103. Conditions for patentability; non-obvious subject matter

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

§ 112. Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

§ 154. Contents and term of patent

Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

§ 173. Term of design patent

Patents for designs may be granted for the term of three years and six months, or for seven years, or for fourteen years, as the applicant, in his application, elects.

§ 283. Injunction

The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

5. Sections 1338 and 1498 of the Judicial Code provide (28 U.S.C. §§ 1338, 1498):

§ 1338. Patents, copyrights, trade-marks, and unfair competition

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws.

§ 1498. Patent and copyright cases

(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

The court shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States prior to July 1, 1918.

A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee or any assignee of such patentee with respect to any invention discovered or invented by a person while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials or facilities were used.

(b) Hereafter, whenever the copyright in any work protected under the copyright laws of the United States

shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a contractor, subcontractor, or any person, firm, or corporation acting for the Government and with the authorization or consent of the Government, the exclusive remedy of the owner of such copyright shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation as damages for such infringement, including the minimum statutory damages as set forth in section 101(b) of title 17, United States Code: *Provided,* That a Government employee shall have a right of action against the Government under this subsection except where he was in a position to order, influence, or induce use of the copyrighted work by the Government: *Provided, however,* That this subsection shall not confer a right of action on any copyright owner or any assignee of such owner with respect to any copyrighted work prepared by a person while in the employment or service of the United States, where the copyrighted work was prepared as a part of the official functions of the employee, or in the preparation of which Government time, material, or facilities were used: *And provided further,* That before such action against the United States has been instituted the appropriate corporation owned or controlled by the United States or the head of the appropriate department or agency of the Government, as the case may be, is authorized to enter into an agreement with the copyright owner in full settlement and compromise for the damages accruing to him by reason of such infringement and to settle the claim administratively out of available appropriations.

Except as otherwise provided by law, no recovery shall be had for any infringement of a copyright covered by this subsection committed more than three years prior to the filing of the complaint or counter-

claim for infringement in the action except that the period between the date of receipt of a written claim for compensation by the Department or agency of the Government or corporation owned or controlled by the United States, as the case may be, having authority to settle such claim and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as a part of the three years, unless suit is brought before the last-mentioned date.

(c) The provisions of this section shall not apply to any claim arising in a foreign country.

6. Section 2304 of Title 10 of the United States Code provides (10 U.S.C. § 2304):

§ 2304. Purchases and contracts: formal advertising; exceptions

(a) Purchases of and contracts for property or services covered by this chapter shall be made by formal advertising. However, the head of an agency may negotiate such a purchase or contract, if—

(1) it is determined that such action is necessary in the public interest during a national emergency declared by Congress or the President;

(2) the public exigency will not permit the delay incident to advertising;

(3) the aggregate amount involved is not more than $2,500;

(4) the purchase or contract is for personal or professional services;

(5) the purchase or contract is for any service by a university, college, or other educational institution;

(6) the purchase or contract is for property or services to be procured and used outside the United

States and the Territories, Commonwealths, and possessions;

(7) the purchase or contract is for medicine or medical supplies;

(8) the purchase or contract is for property for authorized resale;

(9) the purchase or contract is for perishable or nonperishable subsistence supplies;

(10) the purchase or contract is for property or services for which it is impracticable to obtain competition;

(11) the purchase or contract is for property or services that he determines to be for experimental, developmental, or research work, or for making or furnishing property for experiment, test, development, or research;

(12) the purchase or contract is for property or services whose procurement he determines should not be publicly disclosed because of their character, ingredients, or components;

(13) the purchase or contract is for equipment that he determines to be technical equipment whose standardization and the interchangeability of whose parts are necessary in the public interest and whose procurement by negotiation is necessary to assure that standardization and interchangeability;

(14) the purchase or contract is for technical or special property that he determines to require a substantial initial investment or an extended period of preparation for manufacture, and for which he determines that formal advertising and competitive bidding might require duplication of investment or preparation already made or would unduly delay the procurement of that property; or

(15) the purchase or contract is for property or services for which he determines that the bid prices received after formal advertising are unreasonable as to all or part of the requirements, or were not independently reached in open competition, and for which (A) he has notified each responsible bidder of intention to negotiate and given him reasonable opportunity to negotiate; (B) the negotiated price is lower than the lowest rejected bid of any responsible bidder, as determined by the head of the agency; and (C) the negotiated price is the lowest negotiated price offered by any responsible supplier;

(16) he determines that (A) it is in the interest of national defense to have a plant, mine, or other facility, or a producer, manufacturer, or other supplier, available for furnishing property or services in case of a national emergency; or (B) the interest of industrial mobilization in case of such an emergency, or the interest of national defense in maintaining active engineering, research, and development, would otherwise be subserved; or

(17) negotiation of the purchase or contract is otherwise authorized by law.

(b) The data respecting the negotiation of each purchase or contract under clauses (1) and (7)-(17) of subsection (a) shall be kept by the contracting agency for six years after the date of final payment on the contract.

(c) This section does not authorize—

(1) the negotiation of a contract to construct or repair any building, road, sidewalk, sewer main, or similar item, unless—

(A) it is made under clauses (1)-(3), (10)-(12), or (15) of subsection (a); or

(B) it is to be performed outside the United States; or

(2) the erection, repair, or furnishing of any public building or public improvement.

(d) Whenever the head of the agency determines it to be practicable, such advance publicity as he considers suitable with regard to the property involved and other relevant considerations shall be given for a period of at least 15 days before making a purchase of or contract for property, or a service, under clause (7) or (8) of subsection (a) involving more than $10,000.

(e) A report shall be made to Congress, on May 19 and November 19 of each year, of the purchases and contracts made under clauses (11) and (16) of subsection (a) during the period since the date of the last report. The report shall—

(1) name each contractor;

(2) state the amount of each contract; and

(3) describe, with consideration of the national security, the property and services covered by each contract.

(f) For the purposes of the following laws, purchases or contracts negotiated under this section shall be treated as if they were made with formal advertising:

(1) Sections 35-45 of title 41.

(2) Sections 276a-276a-5 of title 40.

(3) Sections 324 and 325a of title 40.

APPENDIX B

Opinion of the Court of Appeals of Maryland

IN THE COURT OF APPEALS OF MARYLAND

No. 191

SEPTEMBER TERM, 1964

SPACE AERO PRODUCTS CO., INC., ET AL.

v.

R. E. DARLING CO., INC.

Prescott, C. J.
Hammond
Horney
Marbury
Oppenheimer,
JJ.

OPINION BY OPPENHEIMER, J.

Filed: March 12, 1965

This case involves the question of whether the court below properly enjoined the defendants from using what the appellee claims to be its trade secret in the building of oxygen breathing hoses. It also involves the scope of the injunction granted and other issues in connection with the conduct of the parties and rulings of the trial judge.

The appellee, R. E. Darling Co., Inc. (Darling) was founded as an individual business by Mr. Darling in 1948 and began the business of manufacturing oxygen breathing hoses for aircraft personnel, in Bethesda, Maryland. In 1950, Mr. Darling undertook a research and development program in the course of which small-bore miniaturized, silicone flexible breathing hoses were produced; these hoses were sold to the Douglas Aircraft Company and to the Navy, beginning in 1953; the hoses were the same general type that are now qualified and referred to in certain

military specifications. The business was subsequently incorporated. Four of the defendants below, Joseph A. Jackson; Eugene E. Fasano; Douglas L. Creger and William Phillips[1] (sometimes collectively referred to as the former employees) worked for Darling in various capacities. Each of them had been with Darling for some years; there was no formal contract of employment; each could be discharged by Darling at any time and had the right to leave at any time.

In the fall of 1960, these men decided to go into business in competition with Darling. They sought and obtained financial backing from the appellants; Norris Manufacturing Company (Norris) and William Brandenburg (Brandenburg), the president of Norris. Norris had supplied silicone products to Darling; but in 1959, the officers of Darling had formed the Materials Testing Company to make silicone compound and tubing. In late 1959 or early 1960, the United States Navy had sent a representative to Darling to discuss new proposed specifications for oxygen breathing hoses of certain types of which Darling had been the sole manufacturer and supplier. Thereafter, Military Specification H-22489 was prepared and issued in April, 1960. Darling began the study and work to qualify hose under the new specifications. On December 14, 1960, the appellant, Space Aero Products Co., Inc. (Space Aero) was incorporated by the former employees, who had resigned from Darling's employ between December 9 and December 23, 1960. Space Aero commenced business operations in Hyattsville, Maryland, in January, 1961. The first hose built by it was the same as the Darling hose and was built by some of the same people who had built the hose for Darling. Space Aero qualified its hose under Military

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[1] Phillips did not appeal from the orders of the lower court. At the trial, he testified for Darling. Phillips had left the employment of Space Aero Products Co., Inc. but was still one of its stockholders.

Specification H-22489 in the middle of January, 1961; it was submitted to the Navy on February 20, 1961. Darling did not submit any hoses for qualification under this specification until April 25, 1961. The Navy accepted Space Aero's hose in May, 1961.

Darling filed its suit on February 27, 1961. The appellants filed answers denying that the appellee had a cause of action against any of them. No preliminary injunction was issued. After the protracted taking of testimony,[2] Judge Pugh filed an opinion on May 27, 1964 in which, after reviewing what he regarded as the salient features of the testimony, he found from the evidence that the former employees "learned the know-how to set up a competing business which knowledge was gained by them while in the employ of the plaintiff." He further found that the former employees owed the duty of fidelity and trust to their employer while they were employed and had breached that duty. He found further: "that other hose manufacturers in this Country have endeavored to produce an oxygen breathing hose which would compete successfully with the plaintiff's but had failed to do so despite their knowledge and experience but the defendants were able to do so immediately and within twenty days after the charter was granted to its corporation, all because of the knowledge they had gained during their employment by the plaintiff." Brandenburg and Norris, the court found, had illegally entered into a conspiracy to cause the former employees to cease working for Darling. Other findings of the lower court will be referred to in the discussion which follows.

On June 10, 1964, the lower court entered an order which permanently enjoins and restrains the appellants "from further manufacture and/or sale" of oxygen breathing hoses "of like or similar construction to hose assemblies

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[2] The trial, held largely *in camera*, took 38 trial days. The exhibits of both sides exceeded 150. The record abstract before this Court consists of over 2000 printed pages.

manufactured to the requirements of United States Military Specification Mil H-22489." The court further ordered the appellants: "to immediately deliver up to this Court for destruction any and all drawings, manuals, documents and other materials in their possession which describe or disclose the equipment, components, methods or techniques utilized in the manufacture of those hose assemblies." The defendants were ordered to pay the costs, and the court retained jurisdiction for the purposes of determining Darling's rights to an accounting and for damages.

On June 10, 1964, the date of the injunction, the United States filed a statement as *amicus curiae,* in which it requested the court to consider the interest of the United States in the scope of the injunction to be entered, as set forth in the affidavit of Rear Admiral W. T. Hines, attached to and made a part of the statement. This affidavit states, in part: "[I]t affirmatively appears that the National Defense interest would be adversely affected in the delay resulting from any inability of Space Aero Products Co., Inc. to deliver vitally needed products under Contracts N383-85726A, N383-86598A, and ASO-82299A." The United States asked that an injunction in the case should exclude the performance of the contracts referred to in Rear Admiral Hines' affidavit. On June 17, the appellants filed a petition for modification of the injunction, to which the appellee filed an answer. On June 30, the court below, without a hearing, signed an order denying the petition for modification.

The appellants appealed both the orders of June 10 and June 30, 1964. After the appeals, through proceedings in this Court and the lower court, the injunction was stayed upon the giving of a bond for damages.

The appellants contend that the evidence did not support a finding that the former employees violated their duty of loyalty and trust in setting up a company to go into

competition with Darling; that the evidence did not support findings that the appellee did in fact possess trade secrets or knowledge proprietary to it and that the appellants wrongfully misappropriated such trade secrets or proprietary knowledge; that the broad scope of the injunction was improper; that the evidence required a finding that Darling had "unclean hands" and should therefore be denied the aid of an equity court; and that the lower court committed reversible error in several of its rulings. We shall consider these contentions in a somewhat different order.

The Existence of a Trade Secret

A trade secret is described in *Restatement, Torts,* § 757, comment *b,* as follows:

> "A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers."

In an excellent treatise by Turner on *The Law of Trade Secrets* (London 1962), which considers the American as well as the English cases on the subject, the learned author states:

> "The subject-matter *capable* of protection may be an industrial secret like a secret machine, process, or formula, or it may be industrial know-how (an increasingly important ancillary of patented inventions); it may be information of any sort; it may be an idea of a scientific nature, or of a literary nature (such as the plot of a story or the theme of a television series), or it may be a slogan or suggestion for a method of advertising; lastly, the subject-matter may be the product of work, or expenditure of money, or of trial

and error, or the expenditure of time. Secrecy is not *necessarily* a constituent of a protectable subject-matter, but when it is, different degrees of imperfect secrecy are sufficient in different circumstances to make subject-matter capable of protection." p. 4.

Whether or not there is a trade secret and, if there is, whether its owner will be protected against persons accused of using it unlawfully, has been considered in numerous cases in federal and state jurisdictions, and in England, as well as by text writers. See *inter alia* the cases cited in *Mycalex Corporation of America* v. *Pemco Corporation,* 159 F. 2d 907, 913 (4th Cir. 1947). The legal principles are not in dispute; it is their application to the particular facts on which, in general, the decisions turn.

As has been done in other cases, we shall summarize what we regard as the salient facts but will not set them out in such detail as to disclose the alleged trade secret, which it is the purpose of this litigation to protect. *Head Ski Company* v. *Kam Ski Company,* 158 F. Supp. 919 (D.C. Md. 1958). See also annotation, *In Camera Trial of Hearing and Other Procedures to Safeguard Trade Secret or the Like Against Undue Disclosure in Course of Civil Action Involving such Secret,* 62 A.L.R. 2d 509, 530-532, and cases therein cited. In reviewing the testimony, it is to be remembered that Maryland Rule 886 (a) provides that, when an action has been tried by the lower court without a jury, the judgment of the lower court will not be set aside on the evidence unless clearly erroneous. *Wood* v. *Wood,* 227 Md. 211, 176 A. 2d 229 (1961). If there is substantial evidence to support the lower court's factual conclusion, that finding must be reviewed in the light most favorable to the prevailing party below. *Goodwin* v. *Lumbermens Mut. Cas. Co.,* 199 Md. 121, 128, 85 A. 2d 759 (1952). The conclusions of law based upon the facts, however, are reviewable by this Court. *Tyler*

v. *Secretary of State,* 230 Md. 18, 20, 185 A. 2d 385 (1962). See *Moran* v. *Moran,* 219 Md. 399, 401, 149 A. 2d 399 (1959).

There was substantial testimony on behalf of Darling that its manufacture of the hoses involved approximately thirty different steps. Admittedly, some of these steps consisted of simple manual operations and the use of devices and uncomplicated machinery which in themselves were known to the industry. It is not any one of the steps but their selection, order and conjunction which Darling contends is its trade secret. In general, and without going into the details of the testimony, it is the application of the silicone rubber to produce the desired result which Darling claims is its own unique secret, based on research and experimentation and embodying the result of years of trial and error before the requisite "know-how" was achieved. It is the requisite strength and delicacy of the oxygen breathing hose for pilots which necessitates the numerous methods and techniques which Darling has used.

The court below referred to Darling's "know-how." A knowledge of the particular process, method, or material which is most appropriate to achieve the desired result may itself be a trade secret. *Head Ski Company* v. *Kam Ski Company, supra,* 158 F. Supp. at 923; *Manos* v. *Malton,* 358 Mich. 500, 100 N.W. 2d 235 (1960); *By-Buk Company* v. *Printed Cellophane Tape Company,* 163 Cal. App. 2d 157, 329 F. 2d 147 (1958); cf. *Mycalex Corporation of America* v. *Pemco Corporation,* 64 F. Supp. 420 (D.C. Md. 1946) affirmed 159 F. 2d 907. See Turner, *op. cit.,* at 35-37.

One of Darling's witnesses, Rothermel, a chemical engineer experienced in the manufacture of flexible hose, had been employed by the Dayton Rubber Company from 1936 until 1960. He became a technical superintendent of one of the plants of the Dayton Rubber Company (now the Dayco Corporation); later he became Vice-President and General Manager of Strato Safety, a wholly owned

subsidiary of Dayton Rubber Company in California. From September 1, 1958 until February 1, 1960, his one assignment was to produce hose that was equivalent or equal to Darling's hose, which would be accepted by the customers on an equal basis. Rothermel was directed by the president of the Dayton Rubber Company; he had the full facilities of the laboratory and the knowledge of the suppliers of that company and could draw on all of its equipment. To the best of Rothermel's knowledge, Darling was the sole manufacturer of the hose here in question in 1956 and thereafter; hose of that type, as far as he knew, was not built by anyone other than Darling. He had hoses manufactured by Darling but, in his opinion, it was not possible to produce the hose by just having a sample of it, except, perhaps, after several years of trial and error. He did not have Military Specification H-22489 at the time he was working to reproduce the Darling hose, although he had the specifications within the three months prior to trial, but, in his opinion, he could not have produced the hose even if he had had the specifications. There was other testimony to the effect that these specifications only gave the details of the particular results which were required in the oxygen breathing hose and did not explain how those results were to be obtained. Rothermel testified further that he had difficulty in finding proper silicone rubber compound, in putting in communication wires and other matters necessary for the proper manufacture of the desired product.

Opper, a witness called for the defendants, was employed by the Dayco Corporation since 1950; from 1959 he has been manager for the Strato Safety Equipment Division; he worked for several years on oxygen breathing hose and obtained a contract from the Navy for the building of small-bore hose from the Military Specification H-22489 on June 7, 1961, although the company did not qualify until April of 1963. The hoses produced under Opper's direction had different dimensions from those made by Darling and

Space Aero but the specifications under which the Strato Safety hose was manufactured were identical.

The appellants contend that Rothermel chose to duplicate the Darling hose unassisted and, as a result, the compound he used refused to stay in place. They produced experts of their own, including Muller, Director of Engineering of H. K. Porter Company, one of the largest industrial manufacturers in the country, who visited the Space Aero plant and testified that each of the elements he saw and the manner in which each step was being performed were substantially the same as one or another of the processes with which he had been familiar in the industry. The defendants also offered Professor Charles Alfred Shreeve, head of the mechanical engineering department of the University of Maryland, an expert in mechanical engineering. He testified to the same effect as Muller and stated further that the trade secrets he heard described by Mr. Darling on the stand were neither new, novel or unknown but were all obvious mechanical processes. Darling contends that Muller was unable to recall or describe much of the equipment and many of the process steps utilized at Space Aero; and that Shreeve could not remember many steps and techniques used in the Space Aero process. None of the appellants' expert witnesses, other than Brandenburg, testified he could have reproduced the Darling hose without having seen it in actual manufacture.

Brandenburg, a research chemist and manufacturer of silicone products, testified he was thoroughly familiar with the Darling hose building process, which he had helped develop, and that each of the steps was common knowledge in the industry. He admitted, however, that there were no other companies building the hose.

The finding of the court that other hose manufacturers in this country have endeavored to produce an oxygen breathing hose which would compete successfully with

Darling's but (at least until 1963) have failed to do so, is clearly supported by the testimony.

The testimony as to whether Darling's methods and processes were unique, and, as a composite result, known only to it, or whether they were generally known and in the public domain, is voluminous and conflicting. The record, as a whole, convinces us that the trial judge was not in error in his implicit finding that Darling's "know-how" in the manufacture of its hoses was the subject matter of a trade secret.

This holding does not extend to the male disconnect, referred to at length in the evidence. This disconnect is attached to the hose, and is fitted to a female connector in the plane which leads to the oxygen supply. The testimony shows that the drawings of the male disconnect, bearing standard military specification numbers, were originally obtained from Douglas Aircraft Company, which had developed them, and then recopied under Darling's name. The disconnect could be ordered as a complete unit merely by using the military specification and order numbers. Several companies listed these numbers in published catalogues. The male disconnect shown in the drawings can be purchased on the open market. Darling shortened the part as shown in the drawings by half an inch, added some knurling and rounded the end of the insert portions. These changes are visible on inspection of the part. None of the elements of a trade secret is present in respect of the male disconnect, nor does the testimony support any design rights of Darling therein. A trade secret as to the manufacture of the hoses themselves can exist apart from the disconnect attached to them.

Even though a process or method may be the subject of a trade secret, a substantial element of secrecy must exist before the owner of the method is entitled to judicial protection. Absolute secrecy is not essential but a substantial element of secrecy must exist so that there would be

difficulty in others properly acquiring the information. *Mycalex Corporation of America* v. *Pemco Corporation,* 64 F. Supp. 420, 423 (D.C. Md. 1946); *Excelsior Steel Furnace Co.* v. *Williamson Heater Co.,* 269 Fed. 614, 616 (6th Cir. 1920); Turner, *op. cit.,* 71-98; Callmann, *Unfair Competition and Trade-Marks,* § 53.3 (e); Ellis, *Trade Secrets,* §§ 26, 53. A trade secret owner, however, does not abandon his secret by a limited public publication for a restricted purpose. *Abernethy* v. *Hutchinson,* 1 H. & T. W. 28, 3 L.J. (o.s.) (Ch.) 209 (1824).

The *Restatement* sets forth some factors to be considered in determining whether given information is one's trade secret. These factors are: "(1) the extent to which the information is known outside of his business; (2) the extent to which it is known by employees and others involved in his business; (3) the extent of measures taken by him to guard the secrecy of the information; (4) the value of the information to him and to his competitors; (5) the amount of effort or money expended by him in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others." *Restatement, Torts,* § 757 *b.*

The testimony was uncontradicted that the Darling process was the result of years of experimentation and research; approximately a quarter of a million dollars went into the development of the processes and methods. The value of the information gained in the development of the hoses to Darling is clear. From a small business in 1948, Darling has grown to a point where in excess of two hundred persons are employed and where it is manufacturing one hundred or more different types of hoses, with a gross of nearly five million dollars a year. The value which the information would have had to other companies, if they could have been successful in making a similar type of hose, is evident if only from the efforts of Dayco Corporation which tried for years to duplicate the

Darling method and, despite its resources, was unsuccessful until 1963.

The Darling methods were known, and indeed had to be known, to some of its employees, including its former employees who formed Space Aero. The extent of measures taken by Darling to guard the secrecy of the information is in dispute. As evidence of the requisite secrecy, Darling points to the testimony that, during the initial stages of the development of the hoses, the activities and process were kept secret even from Darling's employees. The Instruction Guide issued for training, offered in evidence, states that the methods and processes and the manner in which materials were used must be considered as trade secrets, and that to divulge this information to any individual outside of the company would provide others with knowledge and information detrimental to the existence of the company. A lock box was maintained in the plant for blueprints and a list of authorized personnel with keys was carefully maintained. The training of the company's employees was in a separate area and, according to Darling's witnesses, the trainees were frequently told that the company had processes of which no one else in the world knew.

The appellants' testimony presented a quite different picture. A former supervisor testified that she and other employees were never cautioned to hold the method of manufacture in confidence. The mutable Phillips testified that, while he knew there was no one else in the United States making hoses in a method similar to that of Darling, he did not recall being admonished not to discuss the product.

The Darling methods were also known to Brandenburg who, through Norris, was involved in Darling's business. Norris did not manufacture oxygen breathing tubes, but its sales of its silicone products to Darling increased from a volume of a few hundred dollars in 1953 or 1954 to

about three hundred thousand dollars in 1960. During the years of the relationship, Brandenburg made many visits to the Darling plant, and testified that he was familiar with each step of the process of making the hoses and had been of material help in the entire development. On the latter point, however, there was conflicting testimony on behalf of Darling, to the effect that Brandenburg had only been consulted in the area of the compounds which he furnished. Judge Pugh, in his opinion, while making no express findings of fact, referred to the evidence that Brandenburg had full and complete knowledge of the operation of the Darling plant and that, independently of this knowledge, Brandenburg had the know-how to build the hose. Whether or not the testimony would have justified a finding to this effect, the relationship of the parties is pertinent. Darling and Norris were working together, as manufacturer and supplier, in what was, to some extent at least, a joint enterprise. Brandenburg testified, in answer to a question by the court, that it was not the policy of his company to "go around telling other people what some one else is doing." "There was a certain amount of ethics involved." By Brandenburg's own testimony, there was some element of confidence and trust in the relationship. Under all the circumstances, Brandenburg's knowledge of the process, however complete, did not negate the substantial element of secrecy necessary to the existence of a trade secret. *Saco-Lowell Shops* v. *Reynolds,* 141 F. 2d 587 (4th Cir. 1944); *International Industries* v. *Warren Petroleum Corp.,* 99 F. Supp. 907 (D.C. Del. 1951). See *Chun King Sales* v. *Oriental Foods,* 136 F. Supp. 659, 662 (D.C. S.D. Cal. 1955). Cf. *Mycalex Corporation of America* v. *Pemco Corporation,* 159 F. 2d 907 (4th Cir. 1947); and *Messler* v. *Knapp Bros.,* 52 F. Supp. 812 (D.C. Mass. 1942).

There was much testimony as to tours through the plant and particularly as to a public demonstration of hose-building for the Greater Washington Industrial Council,

during which small groups of guests were given demonstrations of hose-building and other techniques. The appellants point, *inter alia*, to the testimony that two overhead garage doors to the street were left open and that workers were free to have visitors while they were assembling the hose.

Darling's plant was located not in one of the country's great industrial centers, but in a relatively small, if growing community. The testimony, taken as a whole, convinces us that Darling took precautions to guard the secrecy of its process which, under the circumstances, were reasonably sufficient. In its particular community and environment, it may well be that Darling considered that too elaborate efforts at concealment would call attention to what was being concealed, as in Poe's "Purloined Letter." In any event, as the lower court emphasized in its opinion, no one else succeeded in making hoses according to the Darling process. Until the formation of Space Aero by Darling's former employees, Darling's efforts at secrecy, like the process itself, met the basic criterion of success.

Upon consideration of all the testimony in the light of the applicable legal principles, we are convinced that Darling's processes and methods in manufacturing its oxygen breathing hoses (apart from the male disconnect fitting) constituted a trade secret.

The Liability of the Former Employees

The development of the law of trade secrets is a result of balancing two conflicting elements essential to our society. There is a strong policy favoring free competition; an employee is entitled to use the skill and knowledge of his trade or profession which he has learned in the course of his employment, for the benefit of himself and the public, if he does not violate a contractual or fiduciary obligation in doing so. *C-E-I-R, Inc.* v. *Computer Corporation,* 229 Md. 357, 366, 183 A. 2d 374 (1962); *Ritterpusch* v. *Lithographic Plate Service, Inc.,* 208 Md. 592, 595, 119 A. 2d 392

(1956); *Restatement, Torts,* §§ 708 and 757, comment *a; Herbert Morris Ltd.* v. *Saxelby,* 1 A.C. 688 (1916); *Sir W. C. Leng & Co.* v. *Andrews,* 1 Ch. 763-777 (1909). On the other hand, in order to promote the progress of science and the useful arts, the law provides certain protections to an originator. Among these protections are the patent and copyright statutes and the law of torts prohibiting unfair competition. The law protecting trade secrets is another protection.

The basis of the law as to trade secrets, apart from breach of contract, is abuse of confidence or impropriety in the means of procurement. Justice Holmes stated the legal principle in *Du Pont Powder Co.* v. *Masland,* 244 U.S. 100 (1917), as follows:

> "The word property as applied to trade-marks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs, or one of them. These have given place to hostility, and the first thing to be made sure of is that the defendant shall not fraudulently abuse the trust reposed in him. It is the usual incident of confidential relations. If there is any disadvantage in the fact that he knew the plaintiffs' secrets he must take the burden with the good." 244 U.S. at 102.

The *Restatement* summarizes the doctrine enunciated in the case law as follows: "One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if * * * * (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him." *Restatement, Torts,* § 757.

See also *Carter Products, Inc.* v. *Colgate-Palmolive Co.*, 130 F. Supp. 557, 571-75 (D.C. Md. 1955).

Judge Pugh points out in his opinion that the uncontradicted evidence shows that each of the former employees was an employee of Darling from November 1, 1956 to the month of December, 1960, and that each of them had an important position with the plant in the building of oxygen breathing hoses. After setting forth the nature of their assignments, Judge Pugh states that "in their respective positions these defendants knew the hose business, each having learned all there was to know from the plaintiff." He then stated:

> "While in the employ of the plaintiff, the defendants at the instigation of Jackson, discussed going into the hose business from September, 1960, to early in December, 1960, and such discussions led to the making of plans, financial and otherwise, to go in the business of manufacturing the same kind of oxygen breathing hoses manufactured by the plaintiff. The incentive to go in business was to submit bids to the United States Navy under its Military Specification H22489, which was open to the public in the month of April, 1960. All individual defendants knew of the existence of this Military Specification which came to the knowledge of the individual defendants who were employees of the plaintiff by virtue of their employment with the plaintiff. * * * * It was only twenty-nine (29) days after the charter was granted to the defendant corporation when it submitted a hose to the Navy on February 20, 1961. The rapidity with which this was done is only attributable to the fact that the individual defendants, except William Brandenburg and Norris Manufacturing Company, had gained the knowledge to set up a business and manufacture the hose under the military specifications, which came to their knowledge while they were employed by the plaintiff."

The processes used by Space Aero were the same as those used by Darling. While Darling did not qualify under the military specification until several months after Space

Aero had submitted its hose to the Navy, Darling contends that information which would have accelerated Darling's qualification had been obtained by Jackson, one of the appellants, while still in Darling's employ, and was intentionally withheld and secreted by him. This claim is disputed by the appellants, but, in any event, the dispute on this issue goes to whether or not Darling is entitled to damages for loss on the Navy contracts by reason of the appellants' breach of their duty of fidelity, and not to whether that duty had been violated. The testimony amply supports the findings of fact of the court below.

While none of the former employees had signed a contract with Darling in which they formally agreed not to use the information acquired by them, and while they were free to leave their employment at will, Judge Pugh found that they owed the duty of fidelity to their employer while they were employed. We agree. *C-E-I-R, Inc.* v. *Computer Corporation, supra,* 229 Md. at 366; *Ritterpusch* v. *Lithographic Plate Service, Inc., supra,* 208 Md. at 602. That *C-E-I-R* and *Ritterpusch* involved the improper solicitation by employees of their employer's customers, rather than the improper use of the employer's trade secret, does not make the principle for which those cases stand less applicable. It is the breach of the confidential relationship rather than the form which that breach takes which is determinative.

Much of the testimony concerned the taking of various drawings and other material from Darling's plant by some of the former employees before they left the company's employ and the subsequent steps taken by Darling to endeavor to gain repossession of the drawings. The court below found as a fact that some of the former employees had in their possession, after leaving Darling's employment, certain sketches of oxygen breathing hoses which they had taken while they were employed by Darling, without Darling's knowledge. One of the former employees, Jackson, instructed his wife over the telephone, when he

was in California after severing his connection with Darling, to burn the drawings in his possession in his home. Wilkinson, another former employee, burned some of the drawings which Jackson had given him. The court below also found that there were some of Darling's drawings on the drawing-board in the home of another of the former employees which were copies of Darling's drawings. Judge Pugh found that it was doubtful as to whether or not the drawings were in fact the drawings of Darling, but that the evidence clearly showed they were in fact Darling's property. During the argument of this appeal, counsel for the appellants admitted that the taking of these drawings was wrongful.[3] Judge Pugh also found that other records of Darling's, such as copies of its Security and Quality Control Manuals, were in possession of some of the former employees after they had severed their employment. The testimony strongly indicates that all the drawings to which reference has been made were in effect public property or were drawings or copies thereof sent to Darling by the Douglas Aircraft Company. The appellee does not contend it had trade secrets in these drawings. The testimony does not show, in our opinion, that these drawings were necessary for the production of the oxygen breathing hose by Space Aero and the individual appellants, or the securing of the Navy contracts. As Judge Pugh infers in his opinion, however, the actions of the former employees in respect of the drawings strengthens the conclusion that, in availing themselves of Darling's trade secret concerning the manufacture of the oxygen breathing hose, the former employees knew that they were acting wrongfully in violation of their confidential relationship and their duty of loyalty.

We agree with the court below that the former employees violated the duty of fidelity and trust which they owed to

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[3] It was stated without contradiction that these acts by some of the former employees took place before they were represented by counsel.

Darling in respect of the trade secret and that their conduct was such as to entitle Darling to the protection of a court of equity.

The Liability of Brandenburg and Norris

The evidence is undisputed that Norris, through Brandenburg, its president, had conferred with the former employees before they left Darling's employment and that Brandenburg advanced $1000 towards the formation of the new enterprise, a few days before the lease for the Space Aero plant in Hyattsville was entered into. Additional advances or investments totaling $7000 were made in 1960, and still further advances were made in the first months of 1961 totaling in excess of $90,000. Norris now owns 49% of Space Aero's stock.

The judge below excepted Brandenburg and Norris from his finding that the defendants could not have gone into a competing business without the knowledge gained at Darling's plant. He found, however, that Brandenburg and Norris, through Brandenburg as its president and agent, illegally entered into a conspiracy to cause the former employees to terminate their employment with Darling.

The appellants contend that the former employees had decided to leave Darling whether or not Brandenburg and Norris gave them financial backing. They contend further that Brandenburg had independent knowledge in respect of the manufacture of the hose by the process used by Darling. It is undisputed that neither Brandenburg nor Norris was under any express contract with Darling in respect of the hose process. It is also undisputed that while Norris had been a large supplier of material to Darling, Norris and Brandenburg were apprehensive that the subsidiary being formed by Darling might take away much of Norris' sales to the parent company.

There is no question of the right of a supplier to a company to become interested in the formation of another

company to which he expects also to sell his supplies. Neither Norris nor Brandenburg was under an express contractual obligation to Darling in respect of the non-use of Darling's trade secret. We do not reach the question of whether Brandenburg and Norris were liable to Darling for the breach of an implied agreement.[4] We agree with the court below that by their actions in respect of the former employees and the formation of Space Aero as a competing company for the procurement of Navy contracts under the Military Specification H-22489 through the use of Darling's trade secret, Brandenburg and Norris became liable to Darling.

In *Conmar Products Corp.* v. *Universal Slide Fastener,* 172 F. 2d 150 (2d Cir. 1949), Chief Judge Learned Hand enunciated the principle which we believe is here applicable:

> "Courts have been accustomed to speak of trade secrets as 'property,' and at times to deal with them as if they were. That may be permissible and to some extent desirable, when the question is whether the wrongdoer has got access to them by some wrongful means, like breaking into a factory, or copying formulae or blue prints. When, however, the dispute turns, as it does here, upon whether the wrongdoer has acquired a secret from the employee who has himself acquired it lawfully, the wrong consists in inducing him to break his contract, or to be disloyal to a confidence reposed in him; and in either case it is a species of the tort—recognized now for over a century—of inducing an obligor to default upon an obligation." 172 F. 2d at 155.

See also *McKinzie* v. *Cline,* 197 Or. 184, 252 P. 2d 564 (1953); *Restatement, Torts,* § 757, Comment on Clause (a) h.

The evidence amply sustains the finding of the court below that Brandenburg and Norris encouraged the former employees to do what they did do while they were still in

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[4] See cases cited at page 17 of this opinion [p. 23a of this Petition].

Darling's employ. Even though Brandenburg and Norris may have had the knowledge and the ability to form a competing company on the basis of their own know-how and without the use in any way of any knowledge they may have acquired from their dealings with Darling, what they did was knowingly and for their own interests, to help the former employees in their illegal action. This was sufficient to make them liable to Darling. See *Knickerbocker Co.* v. *Gardiner Co.*, 107 Md. 556, 559-60, 69 Atl. 405 (1908); and *Restatement, Agency,* § 312 comment d.

The Contention of "Unclean Hands"

The appellants contend that Darling acted improperly in procuring a search warrant and in having the police department of Montgomery County enter the home of Wilkinson, one of the former employees, and take from his home certain drawings, when no criminal charge had been filed against Wilkinson. They also contend that Darling improperly harassed Brandenburg by having a number of detective agencies calling his family and business associates, and in other ways. They argue further that Darling acted improperly in sending over one hundred letters to various concerns asking if they were doing business with Space Aero. They object to meetings between officers of Darling and the defendant, Phillips, during the trial; and claim that Darling lacked the required candor before the lower court. Because of these actions, the appellants claim that Darling's suit should have been dismissed because it did not come into court with clean hands.

In the argument on this appeal, counsel for the appellants admitted that some of Darling's drawings were improperly taken by various of the former employees while they were still in Darling's employ. The question of whether or not the search of Wilkinson's house on the warrant obtained by Darling was legal or illegal does not

go to any of the issues which, in our opinion, are determinative of this case. The various telephone calls and correspondence to which the appellants object were not on their face unreasonable in the protection of what we have found to be Darling's legal interest in its trade secret.

During the trial, Phillips, one of the defendants below who has not appealed, called Darling's counsel for the purpose of arranging a meeting with one of Darling's principals. The meeting took place without the presence of counsel for either side and without the knowledge or consent of Phillips' counsel. According to Phillips, it was at this meeting that he turned over certain physical evidence to Darling and agreed to state the true facts when called as a witness. At the trial, Phillips gave testimony inconsistent with his pre-trial deposition and, with the court's consent, counsel struck their appearance for Phillips and proceeded to attempt to impeach his testimony. Irrespective of the impropriety of an attorney arranging a meeting between parties to pending litigation without notice to other counsel of record,[5] it was for the trial court, sitting without a jury, to determine for itself the credibility of Phillips' testimony on the witness stand, and, in so doing, to consider what had taken place before the testimony was given.

The clean hands doctrine is one resting in the sound discretion of the court; it is applied, not for the protection of the parties, but for the court's own protection. *Niner* v. *Hanson*, 217 Md. 298, 309, 142 A. 2d 798 (1958). *Thomas*

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[5] Witnesses do not belong to either side of the controversy; they can be interviewed by counsel for any party, in civil as well as in criminal cases. See *State* v. *Papa*, 32 R.I. 453, 80 Atl. 12, 15 (1911) and *Mathews* v. *State*, 44 So. 2d 664 (Sup. Ct. Fla. 1950). When a witness is also one of the parties, however, and is represented by counsel, a lawyer for the other side should not in any way communicate with him without the knowledge and consent of the party's own counsel. See Canon 9, *Canons of Professional Ethics of the American Bar Association* and Drinker, *Legal Ethics*, p. 201.

v. *Klemm,* 185 Md. 136, 142, 43 A. 2d 193 (1945). The court below heard voluminous testimony as to all of the matters raised in connection with this issue and refused to bar Darling from the relief to which the court found it was entitled. We do not find that the court's refusal to apply the doctrine was an abuse of its discretion.

Objections to Rulings of the Court

The appellants contend that three of Darling's exhibits were improperly admitted in the trial below over timely objection. These exhibits were drawings obtained by the Montgomery County police as a result of the search and seizure to which reference has been made. The court below granted the appellants' motion to exclude the drawings as to Wilkinson but denied the motion as to the other appellants. We do not find it necessary to decide whether or not these exhibits were improperly admitted for, even if they were, any error in connection with their admission was not prejudicial. We have found that the drawings were not part of Darling's trade secret but they were Darling's property and several of the former employees admitted on the stand that the drawings had been taken before the employees had terminated their employment. The impropriety of the taking of the drawings was admitted by the appellants' counsel. Apart from the drawings themselves, the circumstances under which they were taken was admissible evidence which tended to show that the former employees meant to breach their confidential relationship and duty of loyalty in improperly using Darling's trade secret to compete with it. The court below found that the drawings were of use to the defendants in setting up their competitive business, but there was ample testimony other than the actual drawings which supported this finding. The introduction of the drawings themselves was only cumulative and unessential.

The appellants also contend that the lower court committed prejudicial error in refusing to have several of their

expert witnesses presnt during the taking of testimony *in camera* unless they took an oath of secrecy as to all the matters testified to. Darling, at all times, claimed that its manufacturing process was a trade secret. The court stated that "by the very nature of the case secrecy is an essential factor." Maryland Rule 546 provides that the court may on its own motion exclude witnesses other than parties from the courtroom until called upon to testify, but excludes from the operation of the Rule an expert witness who is to render an opinion based on the testimony given at the trial. This Rule, however, is not a contravention of the general principle that in taking testimony on matters in which, by the nature of the case, such as the one here involved, secrecy is an essential factor, the trial court has discretion to permit expert witnesses to remain in the courtroom only under reasonable conditions imposed to maintain secrecy. Annot., *supra,* 62 A.L.R. 2d 509, at pages 513-525 and 527-529 and cases therein cited.

At the trial, the court suggested that the expert witnesses take an oath of secrecy similar to the oath of secrecy the Grand Jury takes. One of the appellants' witnesses, Shreeve, took the oath and remained during the *in camera* proceedings. Other expert witnesses of the appellants, because of their positions, refused to take the oath. As to those witnesses, the appellants proceeded by asking them what they had seen at the Space Aero plant and whether those methods were generally known. It is true that, from the appellants' point of view, it would have been preferable if they could have had all of their experts present during the *in camera* proceedings; their witness, Shreeve, who took the oath of secrecy, was so present. The other witnesses, however, testified from their examination of the processes and methods used at the Space Aero plant that these methods and processes were virtually the same as those used by Darling. The fact that the appellants' expert witnesses, other than Shreeve, because of their

employment, felt they could not take the oath of secrecy, is understandable but of itself did not give the appellants the right to have those witnesses present during the *in camera* proceedings without taking the oath. The trial court was of the opinion that to permit these witnesses to attend the *in camera* proceedings without taking the oath might seriously prejudice Darling's rights. For the same reason, the court refused to permit the appellants' counsel to review the *in camera* testimony with the experts who had been excluded. Under all the circumstances, we can not find that these rulings constituted an abuse of discretion.

The Scope of the Injunction

The order of the lower court, filed June 10, 1964, permanently enjoins the former employees, Space Aero, Brandenburg and Norris from further manufacture or sale of high or low pressure hose assemblies utilized in oxygen, air and pressure suit systems of like or similar construction to hose assemblies manufactured to the requirements of United States Military Specification H-22489, and from advising any person, firm or corporation as to the means for or method of manufacture of such hose assemblies.

There is no provision in the order for the termination of the injunction if and when Darling's trade secret becomes generally known to the public; nor is there any provision with reference to the interest claimed by the United States in the scope of the injunction.

Injunction is a proper equitable remedy to protect the interest of the proprietor of a trade secret against the wrongful use of that secret in breach of a fiduciary duty. *Franke* v. *Wiltschek*, 209 F. 2d 493 (2d Cir. 1953); *Restatement, Torts*, §757 (e); Callman, *op. cit.*, § 59.1; note, *Protection and Used Trade Secrets*, 64 Harv. L. Rev., 976,

982 (1951). The authorities differ, however, as to whether an injunction issued to protect a trade secret should terminate after the secrecy ends.

The sixth and seventh Federal Circuit Courts of Appeals hold that, once a person has obtained a disclosure through a breach of confidence while the disclosure was still secret, contrary to the obligations of a confidential or contractual relationship, he cannot thereafter use the subject matter of the disclosure which he has wrongfully used, even though members of the public can do so. *Shellmar Products* v. *Allen-Qualley Co.*, 87 F. 2d 104 (7th Cir. 1936), *cert. denied* 301 U.S. 695; *A. O. Smith Corp.* v. *Petroleum Iron Works Co.*, 73 F. 2d 531 (6th Cir. 1934). These cases deal with information subsequently patented but the rationale has been applied to trade secret cases, even where no patent is involved. The doctrine enunciated in this line of authorities is sometimes referred to as the *Shellmar* rule. The Second Circuit Court of Appeals and some other jurisdictions hold to the contrary. *Conmar Products Corp.* v. *Universal Slide Fastener Co., supra; Carter Products, Inc.* v. *Colgate-Palmolive Co., supra,* 130 F. Supp. at 575. The holding of these cases is sometimes referred to as the *Conmar* rule. The American cases which follow the *Shellmar* and *Conmar* rules respectively, are analyzed in Turner, *op. cit.*, at 442-454.

The reasoning of the *Conmar* rule is that the trade secret is protectible only because of the fiduciary relationship of the discloser to the disclosee. Once the secret is public, the confidence would end in any event. An injunction is issued only when damages are not adequate compensation and once a trade secret becomes public, its original owner can no longer be irreparably harmed by the use of the former secret by persons who originally used it wrongfully, because the rest of the world is also using it. Under this rule, a distinction is made between the use of an

injunction to protect proper lawful interests and its use as a penalty.

The rationale of the *Shellmar* rule is that a person wronged has an action for breach of confidence entitling him to a perpetual injunction against the person who breached it of which the owner of the trade secret can not be deprived by an intervening publicity of the disclosure. The wrongdoer has deprived himself of the opportunity, open to the rest of the world, by his own violation of confidence.

Inherent in this judicial dichotomy is the weighing of the two conflicting social and economic philosophies, reference to which has been made in the discussion of the existence of a trade secret—the balancing of the protection of rights in a proprietary knowledge gained by research and initiative against the interests in free competition and the use of an individual's skill for his own benefit and the benefit of the general public.

Our Court has had occasion to consider the balancing of these interests in a different aspect of the employer-employee relationship but one in which the decision is apposite to the considerations involved in the present case. In *Tawney* v. *Mutual System of Maryland,* 186 Md. 508, 47 A. 2d 372 (1946), the appellee, a small loan company, with another company, filed a bill for an injunction and accounting against two former employees and others, alleging that the employees had entered into employment contracts under which they agreed, *inter alia,* to keep secret the names of any past, present or prospective borrowers and customers of their employers; to refrain from using any information relative to such borrowers and customers, and to keep this information secret and refrain from using it for a period of three years from the date of termination of their employment. We held that these provisions of the contract of employment were valid and enforceable,

but that other provisions requiring the employees to refrain from competition in the Baltimore City trading area for a period of two years from the date of termination were not enforceable. In holding the latter provisions illegal, Judge Henderson, for the Court, said:

> "We think this goes beyond what is necessary to protect the good will of the employer, and works an undue hardship upon the employees, who would be excluded from engaging in the business for which they are specially fitted by long training and experience. Moreover the effect of enforcing the clause (M) would be to stifle competition, in a field where the existence of competition is clearly in the public interest." 186 Md., at 521.

Our holding in the *Tawney* case rested upon the invalidity of a portion of an express contract between employer and employee rather than upon a breach of an implied duty of loyalty which the employee owes the employer; however, in the portion of the opinion which has been quoted, we indicated our realization of the importance of protecting the legal interests of the employer to the extent necessary, without working an undue hardship upon the employee. The reference to the desirability of competition in a field where competition is clearly in the public interest is particularly relevant to the present case where the oxygen breathing hoses, which are the subject of litigation, are important to the national defense.

We agree with the *Conmar* rule. Our conclusion that this rule should be applied to the present case is fortified by the specific and important public interest here involved. The injunction should be modified so that it may be terminated if and when the methods and processes used by Darling in the manufacture of its oxygen breathing hoses become generally known to the public, without contribution in any way to such public knowledge through disclosures by the appellants.

We do not agree with the appellants that the injunction should be restricted to the use of the processes rather than prohibiting the manufacture of the product. Darling's trade secret consists too largely of the ordered relationship and combination of various steps and devices, some in themselves quite simple in nature, to make a prohibition of specific steps or processes practical. It is the period of the injunction, rather than its subject matter, which, under the circumstances, we find too broad.

There is, however, one aspect of the subject-matter of the injunction which should be modified. We have found that the male disconnect attached to the hoses is not a part of Darling's trade secret and that the secret as to the manufacture of the hoses can be protected without inclusion of this attached fitting. The injunction should be restricted so as to exclude from its operation and effect the male disconnect under Military Specification H-22489.

Brandenburg and Norris contend that, in any event, they should not be enjoined from manufacturing any hose "like or similar" to Military Specification H-22489, because Brandenburg had the know how to build the hose, independently of any knowledge he acquired from the former employees. Even if Brandenburg knew how to build the hose, however, neither he, nor Norris, for whom he acted, had ever built such hose commercially. Brandenburg as an individual and Norris, as a company, actively helped Space Aero in producing the hose for which Space Aero obtained the Navy contracts. It is an implicit premise of the injunction that Darling's interests in its trade secret could not be adequately protected unless Brandenburg and Norris, as well as Space Aero and the former employees with whom they cooperated, were enjoined. There is a reasonable inference from the testimony that the practical knowledge which Brandenburg and Norris obtained from their association with the former employees in building the hose added to the knowledge which they

formerly had. It would be difficult to separate the results of such practical experience from any independent knowledge formerly possessed. In view of all the circumstances, the court below was justified in enjoining Brandenburg and Norris, in order adequately to protect Darling. The harm to Darling and any hardship of the injunction upon Brandenburg and Norris sprang from the situation to whose making Brandenburg and Norris wrongfully contributed. See *Wicklein* v. *Kidd,* 149 Md. 412, 424, 131 Atl. 780 (1926);[6] and *Restatement, Torts,* § 941 comment b.

The appellants contend not only that the injunction is too broad, but that it is invalid, because the United States was not made a party to the proceedings. The injunction affects the United States in that Space Aero is enjoined from performing and bidding on contracts with the Navy, and therefore, the appellants argue, the decree cannot bind the government.

The answer to this contention is that the United States did not ask to be made a party to the proceedings, the appellee did not name it as a party defendant, and the appellants did not take any timely steps, in the court below, to have it joined as a necessary party. The statement of the United States as *amicus curiae* requested the lower court to consider its interest in the scope of the injunction to be entered, but the affidavit of Rear Admiral Hines attached thereto expressly disclaimed, on behalf of the Navy, the taking of any part in any dispute between the parties. The United States had ample notice of the pending litigation, and its failure to apply for joinder as a party is to be accepted as a disclaimer of any rights to that status. *Reddick* v. *State,* 213 Md. 18, 30, 130 A. 2d 762 (1957). The appellants did not raise the defense of want

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[6] "[W]hen one of two persons must suffer loss by action of a third person, the loss should fall on him who has enabled the third person to occasion such loss" * * *.

of a necessary party by way of motion under Maryland Rule 323 or by a dilatory plea under Rule 341.

The United States, however, by its statement as *amicus curiae* and the supporting affidavit filed on June 10, 1964, the date that the decree was signed, requested the court to consider the interest of the government in the scope of the injunction to be entered. The statement specifically requested that the injunction should exclude the performance of designated contracts between the Navy and Space Aero. The affidavit of Rear Admiral Hines, which was made a part of the statement, also referred to subcontracts between Space Aero and certain Navy prime contractors. The affidavit stated:

> "While there is reason to believe that delays in subcontract performance will curtail Navy scheduling, we are not immediately in a position to substantiate this view. It is respectfully requested that the Court grant leave to revise any injunction which may issue in the event affirmative data supports a demonstrable adverse interest to the National Defense."

On June 30, the court signed an order denying the petition for modification of the injunction, without hearing, and, so far as the record discloses, without affording the United States an opportunity to show, as it had claimed, that the extent of the injunction would have a serious impact upon the Navy's military needs.

"Courts of equity may, and frequently do, go much farther both to give and withhold relief in furtherance of the public interest than they are accustomed to go where only private interests are involved." *Virginia Ry.* v. *Federation,* 300 U.S. 515, 552 (1937). See also *Yakus* v. *United States,* 321 U.S. 414, 441 (1944). A court of equity can mold its decree to grant relief suitable to the peculiar nature of the case. *McKeever* v. *Realty Corp.,* 183 Md. 216, 224, 37 A. 2d 305 (1944).

The operation of the injunction issued below was stayed by the filing of a bond and it appears that the last comple-

tion date of the three contracts between the Navy and Space Aero specifically referred to in the statement of the United States Navy was in November, 1964. We do not know, however, whether these contracts have actually been completed. In the interest of the national defense, the government must be given the opportunity to show whether all the work required under these contracts has been performed; if not, the scope of the injunction should be limited to permit completion. The United States must also be accorded the opportunity, by appropriate proceedings in the lower court, to seek further to limit the scope of the injunction to permit the completion of Space Aero's subcontracts with the prime Navy contractees referred to in Rear Admiral Hines' affidavit, if it is determined that the prohibition of the completion of these subcontracts has a demonstrable adverse effect on the national defense. The damages, if any, sustained by Darling as the result of Space Aero's completion of its contracts can be determined in subsequent proceedings.

Order Affirmed in Part, Reversed in Part, and Case Remanded for the Passage of an Order and for Further Proceedings if Necessary in Conformity with this Opinion; Costs of this Appeal to be Paid One-half by the Appellants in Equal Shares and One-half by the Appellee.

APPENDIX C

Mandate of the Court of Appeals of Maryland

MANDATE

COURT OF APPEALS OF MARYLAND

No. 191, September Term, 1964

SPACE AERO PRODUCTS CO., INC., ET AL.

v.

R. E. DARLING CO., INC.

Appeal from the Circuit Court for Montgomery County.

Filed: July 30, 1964.

August 28, 1964: Motion and objections of appellee to sureties on supersedeas bond.

September 4, 1964: Answer to above motion filed.

September 18, 1964: Order of Court filed declaring supersedeas bond null and void, etc.

September 29, 1964: Motion to stay effect of order filed.

October 5, 1964: Appellee's answer to above motion filed.

October 7, 1964: Motion of appellee to safeguard trade knowledge filed.

October 10, 1964: Answer to above motion filed.

October 12, 1964: Order of Court filed re staying effective order; etc.

October 12, 1964: Order of Court filed granting motion to safeguard trade knowledge.

October 16, 1964: Motion of appellants for further extension of time, etc., filed. Temporary extension granted, etc.

October 21, 1964: Appellee's answer to above motion filed.

October 22, 1964: Order filed granting motion for time to file supersedeas bond; etc.

November 18, 1964: Petition filed requesting order to make briefs, etc. available to United States Department of Navy, etc.

November 24, 1964: Answer to above petition filed by appellee.

December 7, 1964: Petition re briefs to Department of Navy, etc., denied.

March 12, 1965: Order affirmed in part, reversed in part, and case remanded for the passage of an order and for further proceedings if necessary in conformity with this opinion; costs of this appeal to be paid one-half by the appellants in equal shares and one-half by the appellee. Opinion by Oppenheimer, J.

April 7, 1965: Motion for modification of opinion and for reargument filed. Motion for stay of mandate filed.

April 12, 1965: Appellee's reply to above motion for modification of opinion filed.

April 12, 1965: Motion for reargument denied; order affirmed in part and reversed in part and case remanded for further proceedings as provided in opinion filed herein on March 12, 1965, and as supplemented by this opinion. Per Curiam Opinion filed.

STATE OF MARYLAND, *Sct:*

I do hereby certify that the foregoing is truly taken from the record and proceedings of the said Court of Appeals.

In testimony whereof, I have hereunto set my hand as Clerk and affixed the seal of the Court of Appeals, this twelfth day of April A. D. 1965.

J. LLOYD YOUNG
Clerk of the Court of Appeals of Maryland.

APPENDIX D

Opinion and Order of the Court of Appeals of Maryland Denying Motion for Modification of Opinion and for Reargument

IN THE COURT OF APPEALS OF MARYLAND

No. 191

September Term, 1964

SPACE AERO PRODUCTS CO., INC., ET AL.

v.

R. E. DARLING CO., INC.

Prescott, C. J.
Hammond,
Horney,
Marbury,
Oppenheimer,
J.J.

Per Curiam Opinion On Appellants' Motion For Modification of Opinion and for Reargument.

Filed: April 12, 1965

PER CURIAM OPINION ON APPELLANTS' MOTION FOR MODIFICATION OF OPINION AND FOR REARGUMENT

In the opinion filed herein on March 12, 1965, we considered the statement of the United States as *amicus curiae* and the supporting affidavit of Rear Admiral Hines requesting the court below to consider the interest of the government in the scope of the injunction to be entered. We held that, in the interest of the national defense, the United States must be given the opportunity to show whether all the work required under the contracts referred to has been performed and, if not, that the scope of the injunction should be limited to permit completion. We ordered the scope of the injunction modified in this respect,

not only as to the contracts specifically referred to in the statement of the United States, but also as to the sub-contracts referred to in the affidavit of Rear Admiral Hines as to which the United States did not specifically request modification of the injunction. In their motion, the appellants now state that other departments and agencies of the United States have entered into contracts with Space Aero other than those referred to in the statement of the United States and the affidavit of Rear Admiral Hines. This allegation is supported by an affidavit of Rear Admiral E. R. Eastwold, assigned as Deputy Chief, Bureau of Naval Weapons, Department of the Navy. Rear Admiral Eastwold's affidavit states that, in addition to the contracts and sub-contracts to which reference has been made, the Navy has other prime contracts let to Space Aero and that the Navy's Aviation Supply Office has two uncompleted contracts with Airborne Research and Development Corporation, Sun Valley, California, which involved the same basic military specification and that this company has sub-contracted to Space Aero a significant segment of the work required by the contracts. The only other Navy-approved source for the oxygen air hoses, it is stated in the affidavit, is the Darling Company, the appellee. The affidavit states that in the event Space Aero is unable to complete the work on these additional contracts and sub-contracts, a substantial amount of additional time will be required to complete them, with a consequent disruptive effect upon the delivery of urgently required breathing hoses essential for pilots' safety in the operation of the Navy's first line fighter and attack aircraft. Rear Admiral Eastwold asks that, in the interest of the national defense, the scope of exceptions to the order of injunction be further broadened pursuant to the attitude expressed in the opinion.

The appellants' motion admits that there was nothing in the record on appeal regarding the additional contracts and sub-contracts referred to in Rear Admiral Eastwold's

affidavit. Apparently, some of these additional contracts or sub-contracts were awarded after the litigation had begun and even after the injunction of the lower court was issued but was stayed pursuant to orders of this Court and the posting of a supersedeas bond. Nevertheless, for the reasons set forth in the opinion, we deem it necessary, in the interest of the national defense, that the injunction be further modified to direct the lower court, upon remand, to accord the United States of America, and any of its departments and agencies, an opportunity to demonstrate any adverse effect upon the national interest of any prohibition of the completion of any contracts or sub-contracts entered into by Space Aero under the designated military specification to the date of this Court's opinion. The failure of the United States and of the Navy to bring these additional contracts or sub-contracts to the attention of the lower court, or to our attention, can not be allowed to affect the safety of our military personnel. As was stated in our opinion, the damages, if any, sustained by Darling as a result of Space Aero's completion of its contracts or its sub-contracts, if it is determined by the lower court that the prohibition of the completion thereof has a demonstrable adverse effect upon the national defense, can be determined in subsequent proceedings. If any such completion is so permitted, it is for the lower court to determine whether the amount of the supersedeas bond should be raised and whether any part of the purchase price to be paid by the United States of America and any of its departments and agencies should be ordered withheld pending the ascertainment of the damages, if any, to Darling by reason of the completion of the work.

We note the statement in Rear Admiral Eastwold's affidavit that steps have been taken to insure that no further work will be given Space Aero of the kind which it is enjoined from performing.

In our opinion, we considered the scope of the injunction only as it affected the appellants. No request for modifi-

cation of the injunction as it affected employees of Space Aero, other than the appellants, was made in the court below, or in the briefs or arguments on appeal. The distinction, however, is impliedly raised for the first time in the motion now before us. We deem it proper that the injunction should be further modified so as to make it clear that any employees or agents of Space Aero, or of any of the individual appellants, other than the appellants themselves are not to be prohibited from using their skills and from working for any other company in the manufacture or sale of pressure hose assemblies, if such hose assemblies have a construction different from that used by Darling and if such manufacture or sale does not use Darling's trade secret methods and processes.

The other contentions raised in the appellants' motion have been considered by us in reaching the determinations set forth in the opinion and in respect thereto we adhere to the conclusions which we have set forth.

MOTIONS FOR REARGUMENT DENIED; ORDER AFFIRMED IN PART AND REVERSED IN PART AND CASE REMANDED FOR FURTHER PROCEEDINGS AS PROVIDED IN OPINION FILED HEREIN ON MARCH 12, 1965, AND AS SUPPLEMENTED BY THIS OPINION.

APPENDIX E

Opinion of the Circuit Court for Montgomery County, Maryland

IN THE CIRCUIT COURT FOR MONTGOMERY COUNTY, MD.
SITTING AS A COURT OF EQUITY

No: 24002 Equity

R. E. DARLING CO., INC., *Plaintiff*,

v.

SPACE-AERO PRODUCTS CO., INC. ET AL., *Defendants*.

(Filed May 27, 1964)

In this case the plaintiff, R. E. Darling Co. Inc. has filed its Bill of Complaint in equity against the defendants, Space-Aero Products Co., Inc., a corporation, Space-Aero Products Development Corporation, Inc., Joseph A. Jackson, William Phillips, Douglas L. Creger, Eugene E. Fasano, Gloria Rines Creger, Mary B. Quinter, William H. Wilkinson, Norris Manufacturing Company, a corporation, William Brandenburg, John Doe and Jane Doe, seeking (a) a permanent injunction restraining them from using any part of certain trade secrets claimed to be owned by it, (b) a permanent injunction restraining them from making false statements concerning the plaintiff's products and from interfering with the plaintiff's employees, (c) for an accounting and damages and (d) that they be required to deliver up for destruction by the Court documents owned by the plaintiff. There is also a prayer for costs and a reasonable counsel fee to the plaintiff's solicitors. In the answer of all defendants except the defendant, William Brandenburg and Norris Manufacturing Co., a general denial has been entered. These defendants further answer the plaintiff's Bill of Complaint alleging in substance, (1) that they were generally versed in the art or manufacture of the plaintiff's products, that they were not bound to any secrecy agreements with plaintiff, that they all as a result of working together in the plaintiff's

business established a social relationship among themselves and that they all became dissatisfied with their employment by the plaintiff, (2) that they did formulate a plan to go into business similar to the plaintiff's and did secure financial backing from the defendant, William Brandenburg, (3) that they did in fact receive the financial backing of the defendant, William Brandenburg, and they did enter into an agreement with him for such financial backing of a newly formed corporation known as Space-Aero Products Co. Inc., (4) that the drawings the plaintiff alleges were copied by them were unlawfully copied by the plaintiff from the drawings of Douglas Aircraft Company and that the plaintiff's manufacturing processes and techniques were known to others in the industry and that the silicone compound used to make the product (oxygen breathing hoses for use in high flying pilots in aeroplanes) was the secret of the defendant, Norris Manufacturing Co., (5) that they deny any conspiracy to maliciously or wantonly injure the plaintiff in the conduct of its business. The defendant, William Brandenburg, filed a separate pleading, a combined demurrer and answer. The answer of this defendant is a general denial to all material allegations of the Bill of Complaint pertaining to him. The defendant, Norris Manufacturing Company, also filed a separate pleading combined answer and demurrer. Its answer is a general denial to all material allegations of the Bill of Complaint pertaining to it.

Suit was filed in February, 1961. At the outset the plaintiff made a request of this Court for a preliminary or pendente lite injunction against all defendants. This request submitted to another Judge of this Court was not granted. Numerous requests for a preliminary injunction were made but at no time granted. There were many pleadings filed after the suit was instituted. The case was specially assigned to this member of the Court in the early part of the year 1963. On the 26th day of March, 1963, testimony in open Court was started. Thereafter, due to

illness, court assignments and other proper reasons, the taking of testimony was interrupted for intervals of several months, weeks and days, none of which delays were the fault of any of the litigants. It is also to be noted that there appears to be no lack of diligence on the part of any of the parties to prosecute or defend the case. The delays were all within the realm of legitimate excuse. Before the testimony in the case was begun, this Court, pursuant to Rule 501 of the Maryland Rules of Procedure, confined the trial to the issue of whether or not an injunction should be granted. There were no objections to this manner of proceeding except the plaintiff called to the attention of the Court that it was not agreeing to the trial of that issue alone if it meant a waiver of one of the grounds for the issuance of an injunction, in that some element of damage must be shown if an injunction were to issue and that the plaintiff would proffer to show substantial damage. On the proffer, the Court proceeded to hear the testimony. The taking of the testimony in open Court consumed more than eighteen (18) weeks. This Court did not have the benefit of a Master's findings or recommendation as no rule of this Court would permit a reference to a Master, and furthermore, neither side suggested reference to a Master or a Referee, both apparently being satisfied for a Judge to hear the matter. Much, if not practically all, of the testimony was taken in camera. The plaintiff introduced seventy (70) exhibits, five (5) of which were introduced in camera. Twenty-one (21) of the plaintiff's exhibits were either withdrawn or ruled out by the Court. The defendants introduced ninety-two (92) exhibits, twenty-two (22) of which were introduced in camera. One of the defendants' exhibits was only identified (Exhibit 44) and one (Exhibit 21) was ruled out by the Court. All witnesses were excluded from the Court Room at all times.

The Court did not rule on the demurrer of William Brandenburg and Norris Manufacturing Company. As has been the custom in this Court for many years, when

a defendant demurs and answers, the Court hears the evidence in the case and decides all issues of law and fact at the close of the case. No objection has been made to this procedure.

At the conclusion of the testimony the Court instructed solicitors for both parties to submit to it at the conclusion of the argument, findings of fact and conclusions of law. The argument was heard by the Court approximately five (5) weeks after the close of all the testimony. The findings of fact and conclusions of law have been very helpful to the Court. Solicitors have been diligent and alert. The Court has been very lenient in admitting evidence in order for all parties to present their theory of the litigation. The record is voluminous, there are some repetitions but this has been caused by the length of time needed to fairly try the case before the Court.

The uncontradicted evidence in the case shows that the individual defendants, Joseph A. Jackson, William Phillips, Douglas L. Creger, Eugene E. Fasano, Gloria Rines Creger, Mary B. Quinter and William H. Wilkinson were employees of the plaintiff corporation over the period from November 1, 1956, to the month of December, 1960; that the defendant, William Brandenburg as President of the defendant Norris Manufacturing Company and Norris Manufacturing Company were the principal suppliers of a compound known as silicone (sometimes referred to as silicone rubber); that the plaintiff was engaged in the business of manufacturing oxygen breathing hoses for use of pilots in aeroplanes; that in April, 1960, the United States Navy Department formulated a certain specification known as Military Specification H 22489 which was a specification for a high altitude breathing hose to be used by pilots in jet or high flying aeroplanes. These hoses are attached both to the aeroplane and to an oxygen tank on the pilot and into the pilot's flying mask. The purpose of the hose is to furnish the pilot with oxygen at high altitudes while

flying the aeroplane and in the event he is required to be ejected from the plane. Each of the individual defendants except William Brandenburg had important positions with the plaintiff in the building of oxygen breathing hoses. Jackson was the security officer of the plaintiff and he obtained all of his knowledge and experience in the building of such hoses from the plaintiff during the time he was employed from November, 1956, to December 9, 1960. He was the most trusted employee and therefore he had the responsibility of approving drawings, traveled to investigate hose failures, discussed problems with customers, contacted the aeroplane companies, and was in charge of all drafting and supervision of the plaintiff's drawings. The defendant, Fasano, was the Production Supervisor and as such was responsible for the efficiency of the factory operation. The defendant, Phillips, was the Chief of Quality Control. The defendant, Creger, was foreman of one of the shops. Creger's wife was a hose builder. The defendant, Quinter, was chief bookkeeper. In their respective positions these defendants knew the hose business, each having learned all there was to know from the plaintiff. The defendant, Norris Manufacturing Company furnished practically all of the basic ingredient, the silicone compound to build the hose, although it did not build such a hose itself. While in the employ of the plaintiff, the defendants at the instigation of Jackson, discussed going into the hose business from September, 1960, to early in December, 1960, and such discussions led to the making of plans, financial and otherwise, to go in the business of manufacturing the same kind of oxygen breathing hoses manufactured by the plaintiff. The incentive to go in business was to submit bids to the United States Navy under its Military Specification H 22489, which was open to the public in the month of April, 1960. All individual defendants knew of the existence of this Military Specification which came to the knowledge of the individual defendants who were employees of the plaintiff by virtue of

their employment with the plaintiff The defendant, Brandenburg, became aware of such specification by virtue of his contact with the plaintiff as a supplier of silicone rubber. The plaintiff, as late as December, 1960, had not submitted any hoses to the Navy under this Military Specification. The meetings held by the defendants were without the knowledge of the plaintiff and were in secret. It was in early December, 1960, that the leader of the idea to go into a competitive business, defendant Jackson, told his employer, the plaintiff, that he and some of the other employees of the plaintiff were going into the oxygen breathing hose business. The individual defendants terminated their employment with the plaintiff in the following order:

Joseph A. Jackson on December 8, 1960
Gloria Rines Creger on December 9, 1960
Douglas L. Creger on December 16, 1960
Eugene E. Fasano on December 19, 1960
William Phillips on December 21, 1960
Mary B. Quinter on December 23, 1960
William H. Wilkinson on December 23, 1960

Thereafter the individual defendants organized the defendant corporation, Space-Aero Products Company, Inc, the charter being granted on January 2, 1961. The defendants started manufacturing oxygen breathing hoses under the Military Specification H 22489 immediately. A hose without fittings, was submitted by the defendants to the Navy on February 20, 1961, and it was accepted by the Navy in May 1961. In the meantime the plaintiff had filed its suit on the 27th day of February, 1961. No preliminary injunction was issued, as heretofore stated. Some of the individual defendants, except William Brandenburg, had in their possession, after each left the employment of the plaintiff, certain sketches of oxygen breathing hoses which they had taken from the plaintiff while they were employed by the plaintiff and without the plaintiff's knowledge.

Other records were in the possession of the defendants such as the security manual and the quality control manual. The defendant, Jackson, instructed his wife over the telephone when he was in California after he had severed his connection with the plaintiff, to destroy and burn the drawings (which were the property of the plaintiff) in his possession in his home. There were drawings of the plaintiff's on a drawing board in the home of one of the defendants which were copies of the plaintiff's drawings. The defendants testified that while these drawings were taken from the plaintiff, they were in turn copied by the plaintiff from drawings of the Douglas Aircraft Co. and therefore they had a right to have and copy them. The evidence is doubtful as to whether or not the drawings were in fact the drawings of the plaintiff but the evidence clearly shows that the drawings that the defendants took from the plaintiff were in fact the property of the plaintiff. The Court finds that even though these drawings may have been copied from the Douglas Aircraft Co. drawings, they were the property of the plaintiff and the defendants had no right to take them. The defendants contend that they did not use these drawings, because they were not needed. This Court does not believe that the defendants made no use of these drawings in setting up their competitive business. If such drawings were of no use, then why did the defendant, Jackson, order a large quantity of them burned and destroyed? This Court finds from the evidence that the defendants (except William Brandenburg and Norris Manufacturing Company) while employed by the plaintiff secretly met for the sole purpose of forming a corporation to go in business in competition with the plaintiff and that their incentive was to submit hoses to the Navy under Military Specification H 22489. The secrecy of their meetings and the taking of drawings and other important documents permitted them to immediately get the business going.

The authorities are uniform in the principle that an employee owes the duty of fidelity and trust to his employer.

No employee has the right to use his position as such to the detriment of his employer. An employee cannot "feather his own nest at the expense of his employer while he is still on the payroll." Sanitary Farm Dairies vs. Wolf, 112 N.W. 2d 42:48. "No man can serve two masters for either he will hate the one or love the other, or else he will stand by the one and despise the other. * * *" Matthew 6:24.

The leading cases in Maryland are Ceir Inc. vs. Computer, 229 Md. 357 and Ritterpusch vs. Lithographic, 208 Md. 592.

In the Ceir case, the Court of Appeals said at page 366,

> "It is well settled that the employment relationship is one of confidence and trust and places upon the employee a duty to use his best efforts on behalf of his employer. Ritterpusch v. Lithographic Plate, 208 Md. 592, 119 A. 2d 392 (1956). 'It is an elementary principle that fundamental duties of an agent are loyalty to the interest of his principal and the need to avoid any conflict between that interest and his own self-interest.' Maryland Credit v. Hagerty, 216 Md. 83, 90, 139 A. 2d 230 (1958). Any breach of this fiduciary duty by the employee will entitle an employer to an accounting by the employee in an equity court of the fruits of his wrongful actions. Nagel v. Todd, 185 Md. 512, 45 A. 2d 326 (1946)."

and also at 367 the Court of Appeals said:

> "A significant and compelling factor is the veil of secrecy in which the appellees enshrouded their activities. We do not intimate that in all cases an employee must tell his employer of his future plans to become a competitor. However, the rule is well established that an agent is under a duty to disclose to his employer any information concerning the agency which the employer would be likely to want to know."

In the Ritterpusch case the Court of Appeals at page 602 said, quoting Restatement, Agency Sec. 393,

> "Restatement, Agency, Sec. 393, says the law is that 'Unless otherwise agreed, an agent is subject to a duty

not to compete with the principal concerning the subject matter of his agency.' Comment 'e' says: 'After the termination of his agency, the agent may compete with his principal as to matters for which he had been employed and may, before the termination of the agency, make arrangements to do so * * *. Thus, before the close of his employment, he may purchase a rival business and upon the termination of the agency immediately compete with his former employer. He may not, however, before the termination of his employment, solicit customers for such rival business, nor may he do other similar acts in direct competition with the employer's business'."

While the Ritterpusch case involved the question primarily of soliciting customers of his employer, the question involved the same basic principle of law as stated in the Ceir case, namely, that the employee *before* the termination of his employment may not do acts in direct competition with the employer's business. The secrecy with which the individual defendants engaged in their preparation to go in business in competition with their employer goes beyond the realm of arrangement. As stated in the Ceir case at page 366,

"* * * our society has adhered to a strong policy favoring free competition in the economic sphere; hence the right of the individual employee, while still employed, to make arrangements to compete with his employer and become an entrepreneur in his own right was recognized by this Court in the Ritterpusch case. Such preparations may take the form, for example, of the purchase of a rival business. However, that case established with equal force the proposition that the employee may not, before the termination of his employment, solicit his employer's customers for such rival business."

These defendants have gone beyond the right of preparation and have done so in secrecy in taking from the plaintiff drawings, books and papers to use in the formulation of their competing business. They were able to go in the

competing business immediately. As was also said in the Ceir case at page 367,

> "Because of the secret plans of the appellees to become competitors for this same business, an unfair situation was created whereby they were able to absorb this unique experience and solidify their contacts with Bureau officials on C-E-I-R's time and at that company's expense, and to use these advantages later as planned for the benefit of a competing corporation. The training that the appellees received enabled the Computer Dynamics Corporation to begin immediate operations and the detailed draft proposal drawn up by Pulscak for submission to the Bureau is evidence of the extent of knowledge which the appellees had gained at the expense of C-E-I-R. Under these circumstances, the appellees owed a duty of disclosure of their plans for engaging in competition with C-E-I-R. Had appellant known of these plans it could have taken steps to preserve its own favorable bargaining or bidding position by utilizing employees remaining with the corporation, and it also could have avoided expending considerable sums of money to prepare its own competitors to launch into business. The appellees 'chose secrecy and deception under circumstances which demanded * * * candor and full disclosure.' "

While the case at bar is not exactly comparable to the Ceir facts since there is no solicitation of customers, the principles involved are similar. The defendants, employees of the plaintiff learned of the Military Specification H 22489 while in the plaintiff's employ; they learned the know-how to set up a competing business which knowledge was gained by them while in the employ of the plaintiff and they used the sketches and other material of the plaintiff. The plaintiff was entitled to know the plans of these employees in order that it may have either discharged them or changed their positions so that it, the plaintiff's plans in connection with the Military Specification, might not be thwarted. It was only twenty-nine (29) days after the charter was granted to the defendant corporation when it

submitted a hose to the Navy on February 20, 1961. The rapidity with which this was done is only attributable to the fact that the individual defendants, except William Brandenburg and Norris Manufacturing Company, had gained the knowledge to set up a business and manufacture the hose under the military specifications, which came to their knowledge while they were employed by the plaintiff. They owed the duty of fidelity and trust to their employer while they were employed. The Court of Appeals in the Ceir case has stated on page 367, "There would appear to be no precise line between acts by an employee which constitute mere preparation and those which amount to solicitation. However indefinite that line may be, we feel that the appellees crossed over the line into the area of solicitation forbidden to the loyal employee." While there is no solicitation as such in this case, there is the gaining of knowledge of how to make the hose by the employees at the employer's expense and on the employer's time, the gaining of knowledge of the Military Specification by the employees on the employer's time and the secret planning to compete with the employer during the period of the employment. As further stated in the case of Head Ski Co. vs. Kam Ski Company, 158 Fed. Supp. 919, at page 923, (A Maryland case in the U. S. District Court of Maryland) "other ski manufacturers in this country and in Europe have endeavored to produce a metal ski which would compete successfully with Head's but have failed to do so despite their knowledge and experience. Defendants were able to do so immediately because of the knowledge they had gained during their employment at plaintiff's plant." This Court likewise finds from the evidence in this case that other hose manufacturers in this Country have endeavored to produce an oxygen breathing hose which would compete successfully with the plaintiff's but had failed to do so despite their knowledge and experience but the defendants were able to do so immediately and within twenty days after the charter was granted to its corpora-

tion, all because of the knowledge they had gained during their employment by the plaintiff. This Court is convinced beyond a doubt that the defendants, except William Brandenburg and Norris Manufacturing Company could not have gone into a competing business with the plaintiff without the knowledge to build the hose that they had gained during their employment at the plaintiff's plant and the knowledge that there was a Military Specification awaiting their compliance and approval. Much has been said in this case to the effect that there was no trade secret owned by the plaintiff. What the plaintiff knew about hose building was what the defendants knew about hose building and this was enough to enable them to get going "fast". Whatever knowledge the plaintiff had was just what the defendants needed to compete with it. The Court is well aware of the right of anyone to go into business, whether it is in competition with their former employer or anyone else, but the Court is well aware that employees do not have the right to plan, scheme, prepare and do other overt acts to set up the competing business during the period of the employment. The conduct of the defendants in this case does in fact shake the conscience of a Court of Equity. The actions do in fact amount to acts comparable to the crime of larceny. They were the acts of piracy.

Nor can a defendant excuse his action in a trade secret case by saying the knowledge was not secret because it was discoverable by the prior art, when the defendant never resorted to the prior art. See Minnesota Mining & Mfg. Co. vs. Technical Tape Corp., 192 N.Y. Supp. 2d 102, at page 118, citing Smith vs. Dravo Corp., 7 Cir. 203 F. 2d 369, at page 375:

> " 'It is unquestionably lawful for a person to gain possession, through proper means, of his competitor's product and, through inspection and analysis, create a duplicate, unless, of course, the item is patented. But the mere fact that such lawful acquisition is available does not mean that he may, through a breach of

> confidence, gain the information in useable form and escape the efforts of inspection and analysis. "The fact that a trade secret is of such a nature that it can be discovered by experimentation or other fair and lawful means does not deprive its owner of the right to protection from those who would secure possession of it by unfair means." Nims, Unfair Competition and Trade Marks, Sec. 148'."

In Board of Trade of City of Chicago v. Christie Grain & Stock Co., 198 U.S. 236, 25 S. Ct. 637, 639, 49 L. Ed. 1031, the plaintiff collected stock quotations which it furnished its customers. Said Mr. Justice Holmes of its tabulations:

> " 'It stands like a trade secret. The plaintiff has the right to keep the work which it has done, or paid for doing, to itself. The fact that others might do similar work, if they might, does not authorize them to steal the plaintiff's. * * * The plaintiff does not lose its rights by communicating the result to persons, even if many, in confidential relations to itself under a contract not to make it public, and strangers to the trust will be restrained from getting the knowledge by inducing a breach of trust, and using knowledge obtained by such a breach.' "

There is evidence in this case that the defendant, William Brandenburg, president of the Norris Manufacturing Company, had full and complete knowledge of the operation of the plaintiff's plant in the building of oxygen breathing hoses and that he had, independently of this knowledge, the know-how to build such hose. He was asked on the witness stand whether he did in fact disclose such information to his other customers of silicone and he promptly replied that he did not consider it ethical to do so. It would seem that his idea of ethics was very narrow since he encouraged the employees of the plaintiff by offering them financial aid and later by becoming a large stockholder of the defendant corporation. This is not only unethical but illegal. There are many authorities to the effect that the unjustified interference with contractual relationship of

an employer and employee relationship is actionable. One such authority is the case of Herman vs. First Merrick Corporation, 99 N.Y.S. 2d 119 and at page 12, the Court said, " 'The fact that the employment is at the will (such as the case at bar) of the parties, respectively, does not make it one at the will of others. The employee has manifest interest in the freedom of the employer to exercise his judgment without illegal interference or compulsion, and, by the weight of authority, the unjustified interference of third persons is actionable although the employment is at will'." If Brandenburg's employees were encouraged to go into a competing business by others who offered them financial aid, he would of necessity be required to take steps to prevent it otherwise his business could be destroyed.

This Court therefore finds from the evidence as to William Brandenburg and the Norris Manufacturing Company by and through its president and agent, William Brandenburg, that they illegally entered into a conspiracy to cause plaintiff's employees, the defendants, William Phillips, Douglas L. Creger, Eugene E. Fasano, Gloria Rines Creger, Mary B. Quinter and William H. Wilkinson to cease working for the plaintiff and thereby end their contractual relations with the plaintiff, although such contractual relations were at will.

It is for these reasons that the Court will issue an injunction. The form of such injunction will be to restrain the defendants from engaging in the manufacture of oxygen breathing hoses under the United States Military Specification H 22489, Plaintiff's Exhibit No. 3, and from further bidding under such Military Specification.

The Court will sign such an injunction when submitted.

Dated this 27th day of May, 1964.

JAMES H. PUGH,
Judge.

APPENDIX F

Order of the Circuit Court for Montgomery County, Maryland

IN THE CIRCUIT COURT FOR MONTGOMERY COUNTY, MD.
SITTING AS A COURT OF EQUITY

No: 24002 Equity

R. E. DARLING CO., INC., *Plaintiff*,

v.

SPACE-AERO PRODUCTS CO., INC. ET AL., *Defendants*.

(Filed June 10, 1964)

This cause coming on to be heard upon the issues limited by the Court pursuant to Maryland Rule 501, the trial being confined to the issue of whether or not plaintiff was entitled to injunctive relief under prayers (a), (b) and (d) of the Bill of Complaint, or any of them, and the Court having determined, in its opinion filed herein on the 27th day of May, 1964, that the plaintiff was and is entitled to injunctive relief, and the Court having determined that the defendants, and each of them, acted improperly and illegally in engaging in competition with the plaintiff in the manufacture of hose assemblies as described in the evidence, and the Court having determined that what the plaintiff knew about hose building was what the defendants knew about hose building and that this knowledge, improperly and illegally used, has enabled the defendants unlawfully to compete with plaintiff, and the Court having further determined that the defendant-employees of the plaintiff learned of the military specification H-22489 while in the plaintiff's employ and that they acquired the knowledge of how to set up a competing business while in the employ of the plaintiff and that they used the sketches

and other material of the plaintiff in furtherance of their competing business, and the Court being convinced beyond doubt that the defendants formerly employed by plaintiff could not have gone into a competing business with plaintiff under the circumstances disclosed in the evidence without the knowledge of how to build hose assemblies that they had gained during their employment with plaintiff, and that the incentive of the defendants to go into business in competition with plaintiff was to submit bids to the United States Navy in competition with plaintiff under military specification H-22489, and it further appearing that the defendant, Space-Aero Products Co., Inc., was or is in a position to manufacture in competition with plaintiff any type of small bore high pressure or low pressure hose assemblies plain or integrated, and the Court being of opinion that the defendants should be restrained and enjoined permanently from competing unfairly and illegally with the plaintiff in the manufacture and sale of hose assemblies of like or similar construction to those qualifying under military specification H-22489, it is thereupon this 10th day of June, 1964, by the Circuit Court for Montgomery County, Maryland, sitting as a Court of Equity,

ADJUDGED, ORDERED, AND DECREED:

1. That the defendants, Joseph A. Jackson, Eugene Fasano, Douglas L. Creger, William Phillips, Mary Quinter, Gloria Rines Creger, William H. Wilkinson, William Brandenburg, Space-Aero Products Co., Inc. (a Maryland corporation), and Norris Manufacturing Company (a New Jersey corporation), and each of them, their agents, servants, employees, successors and assigns, and all persons, firms, or corporations holding by, under, or through them, and any and all persons acting in aid of or in conjunction with them, or any of them, be and each of them is hereby permanently enjoined and restrained from further manufacture and/or sale of high or low pressure hose assemblies utilized in oxygen, air and pressure suit systems,

said hose assemblies being of the non-kinking, flexible type, suitably reinforced with integral wire construction and which may or may not have connections for integrated communications systems, such hose assemblies being of like or similar construction to hose assemblies manufactured to the requirements of United States Military Specification Mil H-22489, and from advising any person, firm, or corporation as to the means for or methods of manufacture of such hose assemblies, and from otherwise competing unfairly with the plaintiff.

2. That the defendants, and each of them, immediately deliver up to this Court for destruction any and all drawings, manuals, documents and other materials in their possession which describe or disclose the equipment, components, methods or techniques utilized in the manufacture of those hose assemblies hereinabove defined.

3. That the defendants shall pay the costs of these proceedings to the date hereof.

4. That this Court retain jurisdiction in these proceedings for the purposes of determining the plaintiff's rights with respect to an accounting and for damages.

5. That a copy of this Order be served on the defendants, and each of them.

JAMES H. PUGH,
Judge.

APPENDIX G

Modified Order of the Circuit Court for Montgomery County, Maryland

IN THE CIRCUIT COURT FOR MONTGOMERY COUNTY, MD.
SITTING AS A COURT OF EQUITY

No: 24002 Equity

R. E. DARLING CO., INC., *Plaintiff*,

v.

SPACE-AERO PRODUCTS CO., INC. ET AL., *Defendants*.

MODIFIED ORDER OF INJUNCTION

This cause coming on for modification of the order of injunction issued by this Court herein on the 10th day of June, 1964, pursuant to the mandate and opinion of the Court of Appeals of Maryland filed March 12, 1965, and the per curiam opinion of said Court of Appeals filed April 12, 1965, it is, thereupon, this 18th day of May, 1965, by the Circuit Court for Montgomery County, Maryland, sitting as a Court of Equity,

ADJUDGED, ORDERED AND DECREED:

1. That the defendants, Joseph A. Jackson, Eugene Fasano, Douglas L. Creger, William Phillips, Mary Quinter, Gloria Rines Creger, William H. Wilkinson, William Brandenburg, Space-Aero Products Co., Inc. (a Maryland corporation), and Norris Manufacturing Company (a New Jersey corporation), and each of them, their officers, agents, servants, employees, successors and assigns, and all persons, firms, or corporations holding by, under, or through them, and any and all persons acting in aid of or in conjunction with them, or any of them, be, and each of them is hereby permanently enjoined and restrained, from further manufacture and/or sale of high or low pressure hose assemblies utilized in oxygen, air and

pressure suit systems, said hose assemblies being of the non-kinking, flexible type, suitably reinforced with integral wire construction and which may or may not have connections for integrated communications systems, such hose assemblies being of like or similar construction to hose assemblies manufactured to the requirements of United States Military Specification H-22489, and from advising any person, firm, or corporation as to the means for or methods of manufacture of such hose assemblies, provided that nothing recited in this order shall in any way obstruct or preclude Space-Aero Products Co., Inc., from fully performing, as hereinafter set forth, the following contracts, subcontracts or purchase orders in which the United States Government has a substantial interest:

A. The completion of subcontract or purchase order M4J3XA-702510, dated April 13, 1965, awarded to Space-Aero Products Co., Inc., by North American Aviation, Inc., pursuant to the latter's contract No. NAS9-150 with the United States Government, issued by NASA.

B. The Completion of United States Government contracts N383-88557A and N383-90541A, issued by the Aviation Supply Office.

C. The completion of subcontracts or purchase orders B-1952, B-1953 and B-1954, awarded to Space-Aero Products Co., Inc., on November 17, 1964, by Airborne Research & Development Corp. (hereafter "ARDC"), pursuant to the latter's contract number N383-89605A with the United States Government, issued by the Aviation Supply Office.

D. The completion of subcontract or purchase order C-1226, dated February 18, 1965, awarded to Space-Aero Products Co., Inc., by ARDC pursuant to the latter's contrate No. N383-91233A with the United States Government, issued by the Aviation Supply Office.

E. The delivery of those 36 units now scheduled for delivery in June, 1965, to ARDC by Space-Aero Products

Co., Inc. pursuant to ARDC subcontract or purchase order No. C-1129, dated February 4, 1965, issued by ARDC to Space-Aero Products Co. Inc.

And provided further that this injunction does not apply to or prohibit the defendants from in any way using the male disconnect under United States Military Specification H-22489, nor the employees or agents of Space-Aero Products Co., Inc., or of any of the individual defendants other than the defendants themselves from using their skills and from working for any other company in the manufacture or sale of pressure hose assemblies if such hose assemblies have a construction different from that used by the plaintiff and if such manufacture or sale does not use plaintiff's trade secret methods and processes.

2. It is further provided that the defendants hereby enjoined may apply to this Court for termination of this injunction if and when the methods and processes used by the plaintiff in the manufacture of its oxygen breathing hoses becomes generally known to the public without contribution in any way to such public knowledge through disclosure by the defendants or any of them.

3. That this Court hereby orders the defendants, and each of them, to deliver up for destruction any and all drawings, manuals, documents, and other materials in their possession which describe or disclose the equipment, components, methods or techniques utilized in the manufacture of those hose assemblies hereinbefore defined, however, that the hereinbefore referred to contracts with the United States of America or any of its departments or agencies shall be excepted from the scope of this order until the completion of said contracts in which event then the defendants shall be required to deliver up those materials hereinbefore described within fifteen (15) days following the completion of the last of any such contracts or subcontracts completed, and it is further provided that the defendants, and each of them, are hereby restrained and

enjoined from transferring, selling, or otherwise disposing of any of those materials herein required to be delivered up to this Court, pending the delivery thereof as hereinbefore required.

4. That this Court hereby retains jurisdiction in these proceedings for the purposes of determining the plaintiff's rights with respect to an accounting and damages.

5. That a copy of this order be served immediately on the defendants, and each of them, or their solicitor, and upon John W. Douglas, Assistant Attorney General for the United States, appearing of record herein.

6. That the Defendants pay the Court costs in this Court.

/s/ JAMES H. PUGH
James H. Pugh

Judge of the Circuit Court
for Montgomery County, Maryland
Sitting as a Court of Equity